Austria Sch 20	Indonesia Rp 3100	Philippines Pes 20
Bahrain Din 0.650	Israel IS 3.50	Portugal Esc 100
Belgium BFr 45	Italy L 1500	S. Arabia Rls 6.00
Canada C$1.00	Japan Y 600	Singapore S$ 4.10
Cyprus C£0.75	Jordan Fils 500	Spain Pta 125
Denmark Dkr 9.00	Kuwait Fils 500	Sri Lanka Rup 30
Egypt E£1.50	Lebanon L£ 50.00	Sweden SKr 8.00
Finland Fmk 7.00	Luxembourg LFr 45	Switzerland SFr 2.20
France FFr 6.50	Malaysia Rin 4.25	Taiwan NT$ 65
Germany DM 2.20	Mexico Pes 300	Tunisia Din 0.600
Greece Dr 80	Morocco Dh 6.00	Turkey L 350
Hong Kong HK$ 12	Netherlands Fl 3.00	U.A.E. Dh 6.50
India Rup 15	Norway Nkr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,182 Thursday March 12 1987 D 8523 B

Canada's energy policy: old habits die hardest, Page 14

World news | Business summary

Army alert as Brazil faces oil strike

Troops guarded Brazil's ports and important oil installations as President Sarney's Government attempted to end a wave of labour unrest with a show of force.

A threatened strike today by 55,000 oil industry employees led to deployment of several thousand troops, in some cases supported by tanks, at oil refineries and production centres following a request by state oil company Petrobras.

More than 1,000 soldiers were already guarding main ports after a seamen's strike was ruled illegal last Friday. The labour unrest stems from the Government's failure to curb inflation. Page 16

Contra aid opposed

The US House of Representatives opposed in a key procedural vote a grant of $40m to Nicaraguan "Contra" rebels until President Reagan accounted for previous aid, including proceeds from US arms sales to Iran.

Terrorism hearing

Palestinian terrorist leader Abu Nidal is to be tried in his absdence by an Italian court in connection with the attack at Rome's Fiumicino Airport in 1985 in which 13 people died. Page 2

Jazz Section trial

A Prague court sentenced the chairman of the banned Jazz Section independent cultural organisation, Karel Srp, to 16 months' jail for illegal commercial activities. Secretary Vladimir Kouril was jailed for 10 months.

Spy scandal probe

Israel's inner cabinet agreed to open an inquiry in to the Pollard spy scandal but took no action against two Israelis alleged to have run the operation in the US. Page 4.

'False news' law

After an emotional nine-hour debate, Hong Kong's Legislative Council approved a law that makes publishing false news in the colony a criminal offence, punishable by a HK$100,000 ($12,800) fine and up to two years' jail.

Chile parties law

President Pinochet of Chile signed into law a bill legalising non-Marxist political parties after a 13-year ban – but giving the military regime powerful regulatory authority over their activities.

Punjab violence

Suspected Sikh separatists killed a bus passenger and temple official in Punjab. In the 117-seat state assembly, 15 hardline Sikh members walked out when the state governor said the Government would take stern measures against extremists.

Norwegian demo

Chanting students demanding increased university funding and more financial aid for students disrupted the Norwegian parliament, halting for nearly an hour all discussion on the floor.

Rebel town 'retaken'

Mozambique said government troops had retaken a town in central Zambezia province held by right-wing rebels for almost two years.

Mafia chief jailed

A Sicilian said to be the head of the Mafia's London operations, and three of his henchmen, were jailed for a total of 97 years in London after being convicted of importing 60 kg of heroin.

Indian Aids tests

India is to impose mandatory Aids tests on prospective foreign students staying for more than one month.

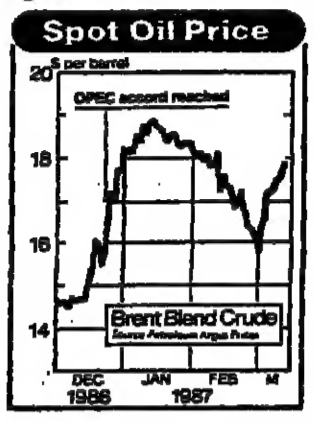
VW stock tumbles on fraud fears

VOLKSWAGEN shares fell sharply in the wake of the news of its heavy losses through currency fraud. Details, Page 17; Stock markets, Page 38

WALL STREET: The Dow Jones industrial average closed down 11.11 at 2,268.98. Page 40

LONDON: The strong pound and the suspension of a senior Merrill Lynch executive subdued equities after a strong start. The FT-SE 100 index lost 8.3 to 1,979.4 and the FT Ordinary index was 15.0 down at 1,571.4. Gilts surged ahead. Details, Page 34

TOKYO: Very heavy buying pushed the Nikkei average to another record high, apparently based on hopes of a frsh interest rate cut. The Nikkei rose 98.50 to 21,312.96. Page 38



OIL PRICES continued to rise yesterday with the price of Brent Crude for delivery in April closing up 30 cents at $18.05, above the $18 average official Opec selling price. The price has risen more than $2 in the past 10 days as optimism has grown over Opec holding together an agreement. Commodities, Page 30.

DOLLAR rallied. It rose to DM 1.8700 (DM 1.8555), to FFr 6.2225 (FFr 6.1750), to SFr 1.5700 (SFr 1.5625) and Y153.80 (Y153.60). On Bank of England figures, the dollar's index rose to 0.3 to 104.6. Page 31

STERLING jumped again. In London it closed up 65 points at $1.5910; DM 2.9775 (DM 2.9400), FFr 9.9000 (FFr 9.7850), SFr 2.4975 (SFr 2.4750) and Y244.75 (Y243.50). Sterling's exchange rate index added 0.6 to 72.7. Page 31

GOLD rose $1¼ to $407-407½ on the London bullion market. In New York, the April Comex settlement was $408.30. Page 30

HUGHES TOOL: board of the world's largest maker of drill bits has approved a new agreement with the US Justice Department allowing the company to complete its proposed $1.6bn merger with Baker International, west coast oilfield services group. Page 17

STORA of Sweden, Europe's leading pulp and paper producer increased profits for 1986 by 18.3 per cent on virtually stagnant sales. Page 17

CLARK Equipment, world's leading lift-truck maker which has lost money in three of the past five years, is selling its US finance company to Chase Manhattan for $168m and using part of the proceeds to buy back 16 per cent of its shares. Page 17

GLAVERBEL, Belgian company which is Europe's third largest maker of float glass, plans to raise BFr 4.4bn ($14.6m) of new capital when it introduces its shares to the Belgian stock exchange later this month. Page 17

LIBERTY Life, South Africa's largest quoted insurance company, is considering a London listing for its TransAtlantic Insurance Holdings affiliate in the UK. Page 17

EARNINGS of Danish bio-industrial group Novo fell for the third successive year. Exchange-rate movements and substantial investment expenditure contributed to the decline. Page 17

Merrill UK mergers chief is accused over insider deals

BY JAMES BUCHAN IN NEW YORK AND STEPHEN FIDLER IN LONDON

THE US Securities and Exchange Commission yesterday accused Mr Nahum Vaskevitch, the head of mergers and acquisitions in the London office of Merrill Lynch, the Wall Street investment bank, of masterminding an insider trading scheme which netted more than $4m.

The civil complaint, filed by the SEC in a Manhattan court, marks the first time that Merrill Lynch has been connected with the widening Wall Street investigation into investment banking practices during the recent wave of takeovers and mergers.

The SEC investigations have already involved Goldman Sachs, Kidder Peabody and Drexel Burnham Lambert.

Merrill Lynch, which has co-operated with the SEC, immediately suspended Mr Vaskevitch from his position yesterday. The firm said the charges, if true, left it "angry and disappointed." The alleged deals, it said, took place outside Merrill Lynch.

The SEC complaint, which could damage Merrill Lynch's international expansion plans, alleges that Mr Vaskevitch 38, received information on 12 corporate transactions involving the firm's US clients from 1984 onwards.

Mr Vaskevitch, who is believed to hold dual British-Israeli citizenship, allegedly passed the information to Mr David Sofer, an Israeli, who then bought and sold the securities through two accounts at a New York brokerage house.

The suit alleges that the "defendants realised more than $4m in illegal profits as the result of the scheme to profit from the breach by Vaskevitch of client confidence."

In the court papers, the SEC accuses Mr Vaskevitch of involvement in "a massive insider trading scheme spanning approximately two years."

The suit does not name any UK clients of Merrill, which has expanded *strongly into corporate* finance in London.

"All the securities alleged in the complaint are American stocks, "Mr John Sturc, associate director in the enforcement division of the SEC, said.

Merrill Lynch said the allegedly illegal trading activity "took place away from Merrill Lynch through another broker-dealer and involved the empolyee's use of information which was properly available to him but improperly used. Merrill Lynch in no way benefited from the trades."

The SEC also said the complaint did not originate from the current investigation of the insider trading ring operated by Mr Ivan Boesky, the disgraced share trader, but from suspicious price movements noted by the New York Stock exchange in three securities which were later subject to takeover: Herman's Sporting Goods, Pay Less Drug Stores Northwest and Saga.

Mr Vaskevitch, described as well-liked and ambitious, joined Merrill Lynch as head of its international mergers and acquisition department in October, 1981, after nine years with Hill Samuel, the UK merchant bank.

Lawyers point out that the SEC alone cannot file for the extradition of Mr Vaskevitch, who is believed to live in Hampstead, north London. But they believe that criminal charges against both Mr Vaskevitch and Mr Sofer are likely, and could lead to extradition papers being issued.

Merrill Lynch said it believed it may be protected from civil lawsuits from shareholders or corporations if the charges are proved.

Lawyers close to the firm said the alleged illegal activity had taken place at Russo Securities, a New York broker-dealer, and that an investigation into Mr Vaskevitch's own account at Merrill Lynch had shown no investments in corporate clients.

Russo Securities has denied any wrongdoing.

Guinness cash trail, Page 7

Dr Garret FitzGerald

FitzGerald quits after Fine Gael defeat

By Hugh Carnegy in Dublin

DR GARRET FITZGERALD, architect of a landmark Anglo-Irish accord on Northern Ireland, bowed out of Irish politics yesterday when he resigned his leadership of the Fine Gael (Land of Ireland) Party.

Dr FitzGerald led Fine Gael for 10 years. He was twice Prime Minister and such was his reputation for integrity and decency that he was often nick-named "Garret the good."

Dr FitzGerald's move astonished his colleagues, coming only a day after he was succeeded as Prime Minister by his great rival Mr Charles Haughey of Fianna Fail.

His decision followed a dramatic slump in support for the party to its lowest share of the vote for 30 years in last month's general election.

The parliamentary party is to elect a successor on March 21, three days before the Dail (lower house) resumes following the appointment of the new Government on Tuesday. Nobody had declared their candidacy by last night because Dr FitzGerald's departure was so unexpected. However, the contest is likely to be between Mr Peter Barry, Foreign Minister and co-chairman of the Anglo-Irish conference in the last government, Mr John Bruton, the outgoing Finance Minister, Mr Alan Dukes, outgoing Justice Minister, and possibly Mr Michael Noonan, former Industry Minister.

Mr FitzGerald said just after the election that he wanted to remain as leader, and this appeared to have been widely accepted within the party in spite of the poor election performance.

But he told a press conference he had decided to go two weeks ago. At the age of 61, he did not want to commit himself to a long period in opposition and possibly another term in government. With the new Government in a minority and likely not to run a full term, it was best to give someone else time to come

Continued on Page 16

Editorial comment, Page 14

UK opposition splits 'threaten poll chances'

BY MICHAEL CASSELL AND PETER RIDDELL IN LONDON

MR Neil Kinnock leader of Britain's divided opposition Labour Party, yesterday urged members of his parliamentary party to halt their damaging, public disagreements over defence policy and warned them that they were threatening the party's chances of victory at the next general election.

For the second time in a week, Mr Kinnock was forced to call on the parliamentary party for an end to criticism within its own ranks.

His blunt remarks were intended to halt the fresh outbreak of internal arguments over Labour's non-nuclear defence policy before it escalates to inflict serious damage on the party's standing.

Labour's continuing turmoil has increased pessimism within the party about the chances of an election victory and increased speculation at Westminster about an early poll.

Mrs Margaret Thatcher, the Prime Minister, recently told senior Conservative backbenchers that while local election day of May 7 had been rejected, she had still not ruled out some time in June. The alternative is late September or October.

The latest defence row was started by Mr James Callaghan, the former Prime Minister, who said he was against abandoning Trident at this stage.

He was later criticised by Mr Denis Healey, the shadow foreign secretary, and became embroiled in an argument at the House of Commons with Mr John Prescott, the party's employment spokesman.

With an early general election still possible, Mr Kinnock and his shadow cabinet colleagues are angry and frustrated at what they regard as the readiness of a small number of MPs to jeopardise party unity and its chances of electoral success.

There was particular concern that the issue had overshadowed yesterday's launch of the party's plans to create over 1m new jobs in *the first two years of a Labour government*, a policy which is seen as essential to Labour's election chances.

The leadership acknowledges, however, that it is powerless to prevent some MPs from voicing alternative opinions, irrespective of the impact on party morale and the bonus given to their political opponents.

Mr Kinnock told a subdued gathering of MPs at Westminister that self-discipline was a vital precondition for making Labour "credible, electable and victorious". He said that the objective of winning was "greater than any ego or vanity" and, in a reference to the 1983 election defeat, said that shortage of memory was no excuse.

Bank of England hits at quick-profit predators

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

MR Robin Leigh-Pemberton, the Governor of Bank of England, last night attacked "opportunitistic predators," who buy shares in companies without any serious investment intention, only to reap quick profits.

He also warned City of London institutions that if they chose to advise in these sorts of transactions, they must be prepared to accept the opprobrium that went with them.

In a speach laced with unusually strong language, Mr Leigh-Pemberton deplored the growing practice of "putting a company into play", when predators use a minority shareholding to force a company's management to take action which will produce a short-term rise in the share price.

This trend must be a matter of great concern to the city, Mr Leigh-Pemberton said, and the practice could be "immensely damaging" to the interest of shareholders and the reputations of the companies and advisers involved.

He said: "The consequence is often a protracted period of unfocused uncertainty which inflicts quite unnecessary damage, weakening a company's management and distracting them from longer-term objectives, sapping the morale of its workforce and making employees feel individually insecure to the point of leaving."

He advised City merchant banks to think carefully before they acted for these predators because "those who sow the wind cannot expect the whirlwind to visit elsewhere." He went on: "History – including quite recent history – well illustrates the need for City houses to be properly jealous of their reputations and those of their clients."

Mr Leigh-Pemberton, who was addressing a Confederation of British Industry dinner in Yorkshire, said companies could protect themselves against speculative disruption by forging close links with their shareholders and keeping them better informed. This would narrow the divisions between the City and industry.

The Governor's speech comes at a time when several companies, particularly in the financial services industry, have been stalked by predators who have succeeded in boosting the share price of their prey, and have then withdrawn after taking large profits.

Sterling continues to rise ahead of budget

BY JANET BUSH IN LONDON

BRITISH financial markets yesterday put on another display of boundless optimism, confounding the Conservative Government's attempt to calm the mood in the days before next Tuesday's budget by giving in to lower interest rates earlier this week.

Sterling continued to soar, extending its gain since the Paris accord on stabilising currencies in late February to more than 5 per cent, despite Bank of England intervention to brake its rise against the dollar when it was just below $1.60.

The most dramatic sign of the sense of euphoria in the run-up to Tuesday's budget was yesterday's sell-out of a £1bn issue of gilt-edged stock at a hefty premium to its partly-paid issue price, after only minutes of trading.

Bank of England officials acknowledged that attempts to take the steam out of the market this week and last by selling large amounts of gilt-edged stock had failed.

The Bank wants to hold out against any further falls in interest rates until after the budget as it believes markets should have time to digest its contents before deciding on the proper level for sterling and rates.

The authorities have been concerned about the speed of movements both of sterling's value on foreign exchanges and also price gains in the UK Government bond market. They are anxious to see how far these gains are consolidated.

Another half-point cut after the budget cannot be ruled out, how-

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Money markets, Page 31

Traders join battle with EEC over cut in sugar subsidies

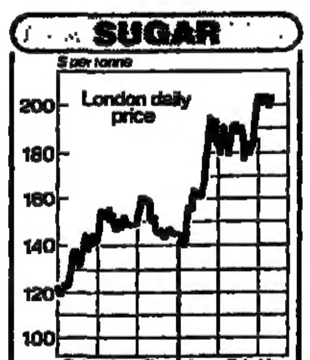
BY TIM DICKSON IN BRUSSELS

EUROPEAN commodity traders were accused of "blackmail" in Brussels last night after they had demanded that the EEC buy up almost 1m tonnes of surplus sugar.

The unprecendented request – which the EEC is obliged to accept if the consigments match up to its quality standards – has been made because the traders are deeply unhappy about the current level of EEC export subsidies. These subsidies – designed to make up the difference between the EEC price and the lower world price – have been cut this year in response to a firmer trend on world markets.

EEC officials, however, made clear last night that they were not prepared to give in to what they see as concerted action by a group of traders. They warned that the Commission would, if necessary, sell the sugar straight back onto the European market.

The guaranteed EEC 'intervention' price for sugar is Ecu 541.8 ($606) per tonne, about 5 per cent less than the European market price. This means that the EEC would have to pay around Ecu 500m for the amounts being offered, though it could in theory get its money back through a quick resale.



Such an operation, however, would inevitably be highly disruptive for the European market.

The amounts offered for intervention – understood to include 775,000 tonnes from Paris traders, 75,000 tonnes from West Germany and smaller amounts from the Netherlands and Belgium – represent that part of the EEC's sugar production which cannot be met by domestic European demand.

Traditionally, this surplus has been exported with the help of subsidies, rather than being put into storage at the Community's expense in the same way as, say, butter and beef are taken off the market. An intervention system for sugar has been in place since 1968, but it is rarely used and at the moment there are only small quantities in Italy.

A major problem for the community lies in the fact that sugar can be stored for only a relatively short time and under Community rules stocks have to be cleared each year by September 30. This would weaken the Commission's position as a major seller.

EEC sugar production is tightly controlled by a system of national quotas and support systems which are meant to be self-financing.

Commodities, Page 30

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MILAN BOURSE FINDS A NEW STAR

Feruzzi Chairman, Raul Gardini, whose backwoods image belies his enormous wealth and ambition, Page 17

FDP given fourth ministerial post in Kohl's cabinet

BY DAVID MARSH IN BONN

THE LIBERAL Free Democratic Party (FDP), junior partner in the West German coalition government, has been given a fourth ministerial post in the new administration which will be sworn in officially today.

This was the main change in the cabinet team announced as Mr Helmut Kohl was formally re-elected Chancellor by the Bundestag (Federal Assembly) yesterday.

He won 253 votes, with 225 against, a narrower margin than generally expected. With the Chancellor falling short by 16 votes of the maximum theoretical coalition support of 269 deputies, he gained only four more than the absolute majority of 249.

The FDP, strengthened within the coalition after it gained ground in the January 25 general election, will take over the Education Ministry, adding to its existing control of the Foreign, Economics and Justice ministries.

Mr Juergen Moellemann (41), previously a State Secretary in the Foreign Ministry, will take over the Education post, which in West Germany's federal system has relatively little influence.

Mrs Dorothee Wilms, from Mr Kohl's Christian Democratic Union (CDU), who previously had the Education post, will replace Mr Heinrich Windelen as Minister in charge of relations with East Germany.

The only other ministerial changes in the 18-strong cabinet were exchanges among politicians from the CDU's sister party, the Christian Social Union. Mr Juergen Warnke was appointed Transport Minister, replacing Mr Werner Dollinger, while Mr Warnke's old job at the Development Ministry will be taken by Mr Hans Klein.

List of ministers in the new Cabinet:

Chancellor: Helmut Kohl (CDU)

Chancellery: Wolfgang Schaeuble (CDU)

Foreign: Hans-Dietrich Genscher (FDP)

Interior: Friedrich Zimmermann (CSU)

Justice: Hans Engelhard (FDP)

Finance: Gerhard Stoltenberg (CDU)

Economics: Martin Bangemann (FDP)

Agriculture: Ignaz Kiechle (CSU)

Inner-German relations: Dorothee Wilms (CDU)

Labour: Norbert Bluem (CDU)

Defence: Manfred Woerner (CDU)

Family: Rita Suessmuth (CDU)

Transport: Juergen Warnke (CSU)

Bundespost: Christian Schwarz-Schilling (CDU)

Construction: Oscar Schneider (CSU)

Science and Technology: Heinz Riesenhuber (CDU)

Education: Juergen Moellemann (FDP)

Development: Hans Klein (CSU)

Environment: Walter Wallmann (CDU)

Italy to try Abu Nidal in absentia for Rome attack

BY JOHN WYLES IN ROME

PALESTINIAN terrorist leader Abu Nidal is to be tried in his absence by an Italian court in connection with the attack at Rome's Fiumicino Airport in December 1985 in which 13 people died, including three terrorists.

Helped by the one terrorist who survived his wounds, the Lebanese Mahmood Ibrahim Khaled, the Italian investigating magistrates have pieced together a picture of terrorist activity which, among other things, confirms Abu Nidal's dependence on Syrian aid and protection.

A second organising brain behind the Fiumicino attack and a co-ordinated strike at Vienna Airport is held to be Hamieda al Rashid, who will also be tried in absentia. According to reports published here, Abu Nidal and Rashid drew up elaborate plans at the beginning of October 1985 to hit a number of targets in Europe, including Israeli, US and British tourists, and Jewish synagogues in Italy.

Khaled, who was 19 at the time of the attack, said he was among 35 fighters who received special training in the Bekaa Valley in Lebanon under the protection of the Syrian army.

As leader of the team of four which was to make the attack at Fiumicino, he was taken by Rashid, who apparently entered Italy on a Moroccan passport, to recover Kalashnikov rifles and hand grenades from a flower bed in the gardens of the Villa Gloria in Rome.

He and his team were instructed to shoot passengers in the vicinity of the El Al and TWA check-in counters. However, neither he nor Rashid who was seen fleeing the airport shortly afterwards, knew of the presence of Israeli security agents whose defensive action with Italian police probably prevented more deaths.

The attack was the worst terrorist strike in Italy for more than a decade and brought immediate calls for a review of the country's Middle East policy. But Mr Giulio Andreotti, Foreign Minister at the time and currently trying to form an Italian government, refrained from taking part in a series of emergency ministerial meetings and stressed the need in public statements for a "solution to the Palestinian problem."

Machinery cuts cost of francs in Paris

By George Graham in Paris

THE QUEUE in the Champs Elysees at midnight is not a crowd of Parisians waiting for the latest Resnais film: it is a line of tourists waiting to change their money.

Instead of using a backstreet Bureau de Change or a hotel cashier at exorbitant exchange rates, they are about to put their trust in Paris's first automatic, hole-in-the-wall currency changing service.

The machine is installed at the Champs Elysees branch of Banque Regionale d'Escompte et de Depots (Bred) a thrusting bank based in the Paris region.

Starting next week, it will dispense French francs in exchange for large denomination notes in D-Marks, pounds, dollars or Italian lire.

The Champs Elysees, Paris's most famous avenue running from the Place de la Concorde to the Arc de Triomphe, has been invaded by fast-food restaurants and garish cinemas, but it remains the first port of call for many tourists who end up in the hotels on its fringes.

Bred says customers will receive French francs to within 10 centimes of the value of their foreign currency, but is making no official comment on the way the exchange rates will be calculated.

Tourists in Paris have often complained about the difficulty of changing their money. Many bank branches refuse to handle foreign currency transactions, and hapless travellers can find themselves passed on from bank to bank.

The position is even worse for the French themselves, however. They still suffer from exchange controls and are for practical purposes tied to their credit cards when they travel abroad.

The machine which checks the bon fides of the foreign bank notes and hands out French francs in exchange is manufactured by a Belgian company, Cable Print, and distributed by the Rockwell group. Around 50 distributors have already been installed elsewhere in Western Europe and on a ferry plying the Baltic Sea.

Jazz Section leader jailed for 16 months

The chairman of Czechoslovakia's banned Jazz Section independent cultural organisation, Mr Karel Srp, was sentenced by a Prague court yesterday to 16 months imprisonment for illegal commercial activities, Reuter reports. The group's secretary, Mr Vladimir Kouril, was jailed for 10 months in one of the most closely-watched trials in Czechoslovakia for eight years. Three other members of the committee were given suspended sentences.

Moscow says UK is hindering arms deal

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET news agency, Tass, has accused Britain of impeding progress on negotiations about removing medium-range nuclear weapons from Europe by linking their removal to an increase in short-range missiles by the US.

Mr Vladimir Chernyshev, a Tass military correspondent, has attacked Sir Geoffrey Howe, the British Foreign Secretary, for making "a series of reservations and conditions" in a television interview last Sunday about matching US and Soviet short-range nuclear weapons in Europe and achieving parity in conventional forces.

The accusations suggest the Soviet Union intends to put strong public pressure on the US and its West European allies during the negotiations on intermediate nuclear forces (INF) in Geneva by portraying their insistence on an understanding on short-range missiles as an attempt to avoid an agreement on INF as a whole.

In fact, Sir Geoffrey was careful to say in the interview that parity on nuclear weapons with a range of under 1,000 km, or of conventional forces, was not a precondition for an INF agreement.

The Soviet position is that Moscow has already made an important concession by excluding the British and French deterrents from the Geneva talks and that "there exists a rought balance of conventional armaments."

● Mr Alexander Vlasov, the Soviet Interior Minister, has said that more than 1,000 people have been jailed and 200,000 punished for illegally making alcohol since the start of the Kremlin's anti-alcohol drive in 1985. He added that 900,000 stills for home brewing had been found by the police or handed over voluntarily.

Bonn presses hard for common front with France and Britain

BY DAVID MARSH IN BONN

WEST GERMANY, which has emerged as the prime European supporter of the latest proposals for abolishing intermediate-range nuclear forces (INF) in Europe, is intensifying efforts to forge a common line over the issue with France and Britain.

Discussions about INF will form a principal part of consultations between the French and West German governments which will begin during the next few weeks following the formal constitution of Chancellor Helmut Kohl's new administration.

Mr Kohl will visit President Francois Mitterrand in Paris on March 23, and will also receive Mrs Margaret Thatcher, the British Prime Minister, in Bonn on the same day. As part of three-cornered discussions ahead of Mrs Thatcher's trip to Moscow at the end of March, she will also be in Paris for talks on March 23.

Although Mr Mitterrand has come out squarely in favour of an INF deal in the past few days, Bonn officials recognise that the prospect of an accord is posing problems in Paris.

This is because it could eventually increase pressure on Paris to cut its own independent nuclear strike force—at present being extended in range and fire-power.

The West German Government has given a positive reception to the Soviet suggestion of a separate INF accord at the end of February. Its welcome partly reflects the country's peculiar position both as a non-nuclear armed pawn in the superpower disarmament game and also as the chessboard on which any European war would take place.

Mr Kohl, who has said he believes an INF accord can be reached this year, badly wants to show progress on disarmament matters to the sensitive West German electorate. The Government also wants to improve relations with the Soviet Union after a stormy patch at the end of last year.

Bonn believes that Mr Mikhail Gorbachev underestimated President Ronald Reagan's resolve to stick to the US Strategic Defence Initiative (SDI) defence programme. Mr Gorbachev's dropping of his condition linking an INF deal to an accord on SDI recognises that "a front had formed against the Russians" over this point, one senior Bonn foreign policy official said.

Additionally, an INF accord would be "spectacular" for Bonn, the official added, because it would vindicate Mr Kohl's firmness in deploying US Pershing 2 and cruise missiles in 1983 as part of Nato's "twin track" nuclear bargaining move.

An East-West breakthrough would also be popular with West German industrialists. One high-level company chairman specialising in East bloc trade said this week that "an improvement in the political atmosphere" between the superpowers was vital to long-term trade prospects.

In spite of reservations about an arms deal in Paris which have been put most strongly by Mr Andre Giraud, Defence Minister, Bonn is especially keen for a Franco-German accord on on INF in view of the strong defence and security links between the two countries.

Achieving agreement with Britain is felt to be less of a problem. One senior British diplomat describes disarmament as the foreign policy area where the UK and West Germany are currently closest.

Mr Hans-Dietrich Genscher, the Bonn Foreign Minister, who telephoned his opposite number in Paris, Mr Jean-Bernard Raimond, last week to explain West German views on the deal, said in a newspaper interview this week that it would be "practically absurd" to oppose the latest Soviet offer. Mr Genscher, who has staked considerable political prestige on his support for Mr Gorbachev's reform policies, remains under some pressure over the latest "zero option" proposals from West German right-wingers.

Mr Franz Josef Strauss, the Bavarian Prime Minister, believes that the West should not be left exposed to Soviet shorter-range nuclear missiles based in Eastern Europe which do not form part of INF. Bonn officials, however, believe that this ancillary arsenal—Moscow has heavy superiority over the West — is capable of being reduced during the five-year period over which Soviet and US intermediate-range missiles would be dismantled.

BILATERAL ARMS RELATIONS BEST FOR 20 YEARS

Cross-Channel defence climate improves

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

FOR MANY British defence contractors, the "enemy" is not the Soviet Union but France, the "threat" is not attack from the East but French arms competition in export markets, and the "solution" has been, in recent years, to steer clear of cross-Channel defence collaboration. Many French arms-makers have held reciprocal views of "perfide Albion."

However, the agreements reached this week by the two countries' defence ministers, Mr George Younger and Mr Andre Giraud, to co-operate on arms purchases and nuclear issues heralded a closeness, at least at governmental level, in bilateral defence relations not seen for 20 years.

As Europe began, in the 1960s, to make weapons jointly rather than just under US licence, the UK and France with the largest European arms industries naturally sought each other out as partners. But the honeymoon ended in estrangement by the end of that decade—specifically, friction over co-production of the Jaguar and of the Gazelle/Lynx/Puma helicopter family and a flaming row over cancellation of the Anglo-French variable geometry aircraft.

After that, Britain has preferred to fly in formation with West Germany and Italy in the Tornado and now in the European Fighter Aircraft (EFA), while France tended to fly in tandem with West Germany, or solo.

Tensions eased gradually, but it took the advent a year ago of a new French government, and particularly of Mr Giraud, to create the rapproachement.

"It was Giraud who kicked the door open," says a senior UK defence official. The increasing difficulty of making modern weapoury and the sluggishness of the arms export market helped make a more cost-conscious French Government more aware of the benefits of collaboration. Problems have arisen, too, with France's main arms partner, West Germany, in the realm of helicopters.

But two specific factors dictated an approach to Britain. After years of indecision about which foreign airborne radar system to buy, France seized on the procurement competition Britain held last year, joined in the evaluation exercise, and was able last month to buy Boeing Awacs aircraft, along with the UK, for significantly less money than Boeing demanded three years earlier.

The other factor is nuclear. Mr Giraud and Mr Jacques Chevalier, head of French defence procurement, have a background in their country's nuclear programme, and a consequent technical interest in seeing whether Europe's two nuclear weapon states can tell each other anything about such issues as weapon storage and transport security.

Mr Younger flatly rules out buying French rather than US nuclear missiles, however. "The timing could not be more wrong," he said yesterday, noting that France was only just starting to develop its M5 missile, while Britain was well into procurement of Trident.

The British, for their own reasons, have been very happy to walk through Mr Giraud's open door. It was Mr Peter Levene, the francophone British businessman made chief of UK defence procurement a couple of years ago with the brief of "commercialising" government arms-buying, who proposed the annual series of Anglo-French conferences.

Ever since he started advertising UK defence tenders last autumn in a fortnightly bulletin, Mr Levene has been pestered by UK contractors for letting foreign competition "into the know." The point of the conferences, the first of which will be in Britain and focused on land weapoury, is that each country gives the other's officials and industry advance notice of its procurement plans.

Collaboration requires that countries need the same system at the same time. This is why some British officials see a lot of sense in Mr Giraud's push for contre achats. This cross-purchasing would exploit the fact that national procurement plans are rarely synchronised. Last October, France bought a British navigation radar in return for British purchase of a mine disposal system and similar "barter" deals are in preparation.

British officials insist, though that each swap purchase should be self-contained. Otherwise, they say, too much would be left to trust. It is precisely this sense of trust between such old sparring partners as Britain and France that may take time to establish.

Hungary devalues currency

By Leslie Colitt in Berlin

HUNGARY has devalued the forint by an average 8 per cent against Western currencies, the second such reduction since September.

The devaluation is intended to promote sluggish Hungarian exports to OECD countries and to curb imports. Hungary had a $440m (£276m) hard currency trade deficit last year, despite a projected surplus. A trade surplus of $100m-$200m is forecast for this year, along with a current acount deficit of about $700m, half that of last year. Previous devaluations of the forint took place in 1981 and 1982.

The exchange rate set by the Hungarian National Bank before the devaluation was forints 44.5797/6686 to the dollar, 24.0839/1321 to the D-Mark, and 70.7722/9138 to the pound sterling.

Belgian rates cut

Belgium yesterday knocked half a point off leading market rates, Reuter reports from Brussels. The National Bank said it reduced the discount rate and the rate at which it lends money to commercial banks to 8 per cent and 8.25 per cent respectively from today.

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Round sixteen as states debate West German broadcasting

BY PETER BRUCE IN BONN

FIFTEEN TIMES they have tried and failed. Today the leaders of West Germany's 11 laender (regional states) meet again to try to agree on who should be allowed to use the first stage of a DM 1bn (£340m) direct broadcasting satellite system.

The laender control broadcasting in West Germany, a legacy of the post-war British occupation that insisted the means of mass communication should never again be placed at the disposal of one man as it was in the days of Joseph Goebbels.

The system may be democratic, but it is also unwieldy. By Monday, the premiers seemed as far apart as ever, fighting about whether TVSat1 should be given over completely to television or whether one of its four channels should go to digital radio.

They disagree about how much advertising to allow and whether it should be done in blocks or used to break up programmes. They agree that the two main public networks, ARD and ZDF, should each have a channel, but they disagree about which private networks (all still in their infancy and losing pots of money) should be given a chance to broadcast from space.

There are rows about how much mitbestimmung (worker co-determination) to encourage in new media companies and, worst of all, they are still fighting about how to pay for use of the satellite.

TVSat 1 belongs to the Bundespost and should have been in orbit a long time ago. It is due, after many delays, to be launched by Ariane in August. Work has already begun on TVSat 2 but Bundespost officials say the Government is

holding back investment because of the uncertainty and bickering among the Laender.

The fight is wholly political. The Social Democratic (SPD) states like North Rhine Westphalia and Hesse, both with huge populations, would rather not have private television or radio stations at all. They suspect these will be right wing and trivial. SPD opposition is wholly to blame for the length of the Laender negotiations.

In Hesse, the Government has allowed its regional television channel to broadcast advertisements. In North Rhine Westphalia, a new media law upset publishers keen to start radio and television programmes by insisting on a strict separation of finance and programming. A publisher could buy a radio station, but could not influence what it broadcast.

Both moves are designed to discourage private media "Newspaper publishers take the financial risk and want a fair say in protecting their investment," complains Mr Burkhard Nowotny, a senior lobbyist

The conservative Laender have hit back by threatening to break the agreement whereby all the states collect fees to fund ARD and ZDF. Led by Bavaria's Mr Franz Josef Strauss, they have also come up with a "southern solution" to TVSat 1 — Bavaria, Baden-Wuerttemberg and the Rhineland Palatinate would agree among themselves to award one channel to a private network of their choice and leave the SPD states to come to a separate decision.

The southern vote would probably go to Sat 1, a cable network owned by a clutch of newspaper publishers. It is being pushed by RTL Plus, a joint venture between the Luxemburg network RTL and the big German publishers, Bertelsmann.

At the monment, both groups are broadcasting on an ever-widening cable network begun by the Bundespost when Mr Helmut Kohl became Chancellor in 1982. This too has been political — the Bundespost Minister has forced a cable network on the country, at a cost of more than DM 3bn to date, without knowing whether it would be used, in order to present the SPD Laender with a fait accompli.

But cable has not been that successful. As of February, some 7m homes had had cable brought to them by the Bundespost but only 2.3m had paid the DM675 for a final connection. Private media champions complain that the Bundespost's marketing has been poor, which is why the direct broadcasting satellite has become so important to them.

There is a lot riding on today's talks. The young, private networks are operating in a legal vacuum and unable to make serious investment decisions. Mr Christian Schwarz-Schilling, the Bundespost Minister, says failure to agree today would be a "death sentence, basically, for the use of modern broadcasting technology" in Germany.

For the SPD Laender it may be a last chance to make their mark on a nationwide broadcast agreement. They could do nothing to stop the "southern solution" being fed into their states.

"They have been near agreement so often," sighs Mr Nowotny, "it's unbelievable." Mr Juergen Doetz, chairman of Sat 1, shares that sentiment. "We won't ask for a seventeenth attempt at agreement," he says. "We want clarity."

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US trade deficit rose to $147.7bn last year

BY LIONEL BARBER IN WASHINGTON

THE US trade deficit in 1986 amounted to $147.7bn (£105.5bn)—up from $125.4bn in 1985, according to figures calculated on a balance-of-payments basis by the US Department of Commerce.

The $147.7bn figure—still an estimate—is markedly smaller than the earlier official figure of $175bn which is more generally used by politicians and is calculated according to customs data returns.

According to the Commerce Department, the US merchandise trade balance was in deficit by $38.4bn in the fourth quarter of 1986, compared with a revised deficit of $37.2bn in the third quarter.

Merchandise trade figures on a balance of payments basis are used, along with data on services such as insurance and capital inflow and outflow, to calculate the state of a country's current and capital account.

They are therefore considered by some economists to be the most accurate gauge of a country's trading performance.

In the past quarter, the largest increase in non-petroleum imports was in consumer goods, which rose by $1.2bn or 6 per cent. Petroleum exports, at $8bn, were nearly unchanged.

Agricultural exports rose $0.6bn or 9 per cent to $7.1bn—a volume increase of 13 per cent. Soyabeans accounted for the major part of the rise, up 104 per cent.

Non-agricultural exports rose $1bn, or by 2 per cent in volume, to $50.2bn. Machinery exports were up $0.8bn or 5 per cent, and non-agricultural industrial supplies, up $0.6bn, or 5 per cent.

The trade deficit in 1986 overall confirms the alarming imbalance which is certain to produce protectionist-leaning legislation in the US Congress. Imports increased $30.6bn, or 9 per cent, to $369.5bn. Volume rose by 15 per cent.

Exports in 1986 rose $7.3bn, or 3 per cent, to $221.8bn. Volume increased 7 per cent. Agricultural exports fell and the rise was more than accounted for by non-agricultural exports.

Yeutter welcomes changes to Trade Bill

By Stewart Fleming

THE US House Ways and Means Committee has modified the Trade Bill introduced at the beginning of the year to make it more acceptable to the White House.

The move is seen as an important shift of strategy which makes the passage of trade legislation in Congress more likely.

The change was welcomed by Mr Clayton Yeutter, the US Trade Representative, although the Administration is carefully avoiding endorsing the new trade proposal and is making it clear that it has continuing reservations about the legislation.

The bill, while still in principle requiring the President to retaliate against certain unfair trade practices, would increase the President's discretion to waive the retaliation on the grounds that action "is not in the US national interest," a broad and vague formula.

As had been long expected, the House Democrats who have written the Trade Bill have also weakened the requirement designed to force countries with large trade surpluses, such as Japan and West Germany, to reduce them.

The new requirement is that the US Trade Representative must open negotiations with such countries about reducing trade imbalances. But the President would retain discretion about whether or not to retaliate if the negotiations failed.

The modifications made by Mr Dan Rostenkowsi, the chairman of the House Ways and Means Committee which has the primary responsibility for trade law reform, have already run into some criticism from congressmen who did not want to see the tougher stance in the earlier bill eased yet.

Congress is still at an early stage in drawing up a Trade Bill. The Senate is considering separate legislation, which, if anything, has been widely perceived to be more protectionist than the initial House bill that has now been modified.

Critic of Mexican regime expelled by PRI

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S RULING Institutional Revolutionary Party (PRI) has to all practical purposes expelled Mr Cuauhtemoc Cardenas, the left-wing nationalist leader of the so-called Democratic Current group, who on Monday published the most severe critique of the 70-year-old regime by an insider for over two decades.

A major procedural battle is likely to develop over the way in which the PRI has excluded Mr Cardenas, a respected former state governor and the son and political heir of General Lazaro Cardenas, the revered '30s president.

The expulsion opens up the possibility of a schism in the regime which may force Mr Cardenas to run against the PRI's official candidate to succeed President Miguel de la Madrid in 1988.

The PRI national executive on Tuesday night issued a two-paragraph instruction to its members saying that Mr Cardenas had decided "not to collaborate further with the party."

By way of explanation it simply quoted a sentence from the former governor's open letter to the party, which stated: "The anti-democratic excesses and intransigence, the normal conduct of the highest party echelons, is an obstacle to any dignified and respectful collaboration with them."

Mr Cardenas was yesterday preparing a reply to this implacable communique. But only hours before his expulsion, he had strongly emphasised in an interview his intention to continue to work inside the PRI in "a struggle to rescue the party principle." He equally firmly rejected suggestions of future alliances with Mexico's fractured opposition, in particular the new Socialist Party soon to be launched by the country's main left-wing groups.

Cardenas: his expulsion will cause uproar

However, if Mr Cardenas loses the coming reinstatement battle, as is likely, he may have little option but to take on the PRI from the outside. The ruling party has never allowed itself to lose a significant office at the polls against all comers, whether or not it has won the vote. But its most serious challengers have always been regime dissidents.

The Cardenas affair has caused an uproar in political circles here, coming at a time when the PRI's standing is at an all-time low among Mexicans, alienated by the regime's economic failure, corruption and continuing monopoly of power.

This year, moreover, President Miguel de la Madrid must choose the man to replace him when he leaves office in 1988. It is a succession race confined to the inner circles of the regime, which shows no sign whatsoever of re-establishing the PRI's credibility.

Mr Cardenas and his Democratic Current colleagues have argued that the PRI rank and file should choose the next president as part of a root and branch democratisation of the party, and that the regime can survive only by renewing its political credentials in open political contest.

The PRI leadership's decision to move against Mr Cardenas appears to be based on the perception that since he and other Democratic Current leaders neither hold nor control significant jobs they can safely be pushed aside.

Mr Cardenas yesterday insisted that his was not a factional struggle but a battle of ideas in which he has the support of "small but representative groups" of party activists throughout the country.

Staff shake-up announced by Mulroney

CANADA'S Prime Minister Mr Brian Mulroney has launched a long-awaited initiative to revive his Government's sagging fortunes by announcing a shake-up of his political staff, Bernard Simon reports from Toronto.

The changes in the Prime Minister's office, which affect some of Mr Mulroney's closest aides, are expected to be followed within the next week or two by a Cabinet reshuffle.

Backbenchers of the ruling Progressive Conservative Party and party strategists have been urging Mr Mulroney to freshen his Government's image

The changes include the reassignment of senior policy adviser Mr Fred Doucet, who is also a close friend of Mr Mulroney, and Communications Director Mr William Fox. Mr Mulroney's press secretary Mr Michel Gratton has resigned.

Jamaica touts for paperwork

BY WILLIAM HALL IN NEW YORK

IF YOU make a hotel reservation in the US, book an airline ticket or order merchandise through a toll-free telephone number, there is an increasing likelihood that the back-office paperwork will be processed not in New York City but 2,000 miles away in an office park in Jamaica.

Jamaica is making a concerted effort to encourage US companies to relocate part of their back-office paperwork, such as the entry of computer data, to the island. It is building a teleport in the Montego Bay free zone which will allow the highspeed retransmission of data to customers along dedicated telephone lines.

Mr Edward Seaga, the Jamaican Prime Minister, who wa[illegible] New York this week fi[illegible] of the country's [illegible] debt, cite[illegible] "data entry" business as one of the growth areas of the economy.

He said that it "promises to be a reasonably good foreign exchange earner as well as a substantial employer of labour."

About 3,000 people already work in this area and the Government is forecasting that employment will more than treble over the next three to four years.

[illegible] cutting costs by sending this kind of work to low-cost areas where skills exist

A sharp drop in world demand for bauxite, traditionally the country's major source of foreign exchange earnings, combined with a worldwide recession caused Jamaica to suffer serious financial problems in recent years.

However, the Seaga administration [illegible] economic base

Jamaica and its leading creditor banks have agreed in principle on a rescheduling of $175m of foreign bank debt, originally due for repayment between 1987 and 1989, writes Stephen Fidler.

The repayments will be stretched out over 12 years, with an 8½-year grace period before principal repayments start.

The agreement, covering all Jamaica's bank debt not previously rescheduled, calls for interest to be paid at 1¼ percentage points over London interbank offered rates.

Strikes and lockouts show increase in US

STRIKES AND lockouts are on the increase in the US for the first time this decade, as unions and employers are showing a renewed willingness to launch or fight work stoppages, AP reports from Washington.

Labour Department figures for last year show that the number of major strikes or lockouts, the total striking workers and the number of working days lost are higher than the previous two years.

Major work stoppages, or those involving at least 1,000 workers, had been declining steadily for six years—from 235 in 1979 to 55 in 1985. But the number jumped back up to 69 last year, as more than 500,000 workers either walked off or were locked out of their jobs, compared with just 300,000 a year earlier.

Guatemala trade mission begins visit to Belize

BY ANSON NG IN GUATEMALA

A TRADE mission consisting of over 20 Guatemalan companies and led by officials from the Ministry of Economy, the Bank of Guatemala and the Institute of Tourism, has begun a three-day visit to Belize, in a further display of Guatemala's more conciliatory attitude towards that country.

Guatemalan businessmen, hit by a depressed domestic market and the problems of Central American trade, are seeking alternative markets to absorb their goods. However, a potential snag in selling to Belize is that under the Caricom agreement, high duties could be levied on Guatemalan products, thus making them less competitive than their Caribbean equivalent.

Road access to Belize is poor and there are also no direct flights there from Guatemala at present.

As the population of Belize is only about 150,000, the main attraction for Guatemalan businessmen is the prospect of using Belize to service the Caribbean market by investing in joint ventures which require 35 per cent input from Belize.

Last year as a prelude to opening the way to Guatemalan trade and investment in Belize, the civilian administration under Christian Democrat President Vinicio Cerezo Arevalo, lifted the economic sanctions and trade restrictions which Guatemala imposed in 1981, when Britain granted independence unilaterally to Belize.

Call to delay North immunity

BY LIONEL BARBER

THE SPECIAL prosecutor investigating the Iran arms scandal, Mr Lawrence Walsh, is pressing for a 90-day delay before limited immunity is offered to key witnesses by the two parallel congressional inquiry teams.

Mr Walsh's request—conveyed to the House of Representatives select committee—is part of a bargaining process over immunity likely to last for at least another week.

Mr Walsh fears that a premature decision to grant immunity could prejudice his chances of securing criminal convictions. Witnesses with limited immunity know that Mr Walsh cannot use evidence given to the committees as part of any potential criminal case against them.

There are at least three key witnesses who are likely to be candidates for limited immunity: Rear Admiral John Poindexter, President Reagan's former National Security Adviser; Lt Col Oliver North, the sacked White House aide; and retired Major General Richard Secord.

The immunity issue is further clouded by the political calculations among the various members of the committees. Some senate members, anxious not to be accused of dragging out the inquiry in an attempt to damage President Reagan, are keen to offer immunity.

Some House Democrats are relaxed about a delay, knowing how keen the White House is to get the Iran scandal off the front pages of the American press.

Significantly, one influential Republican, Henry Hyde of Illinois, said that Mr Walsh had made "a very persuasive case for 90 days." He believed the majority of the House panel backed Mr Walsh's request.

If the House panel agrees to a 90-day delay, it will put pressure on the Senate Inquiry to fall into line. That may not please some senators, who have already pointed to the difficulties in operating in tandem two separate congressional inquiries.

● President Reagan has bowed to pressure from Mr Caspar Weinberger, the Defence Secretary, and will seek to absolve him from criticism in the Tower Commission report on the Iran arms affair.

An Administration official said Mr Reagan would also challenge in his weekly radio address on Saturday the commission's conclusion that Mr George Shultz, Secretary of State, failed the President in connection with the policy of selling arms to Iran in return for American hostages.

Last week, Mr Reagan said he accepted unequivocaly the Tower report. But Mr Shultz and Mr Weinberger immediately said they disagreed with its criticisms and that they were often kept in the dark over the policy.

Snap elections called in Sarawak after political deadlock

BY WONG SULONG IN KUALA LUMPUR

A SNAP election is to be called in Sarawak to break the political deadlock in the oil and timber-rich east Malaysian state.

Dato Taib Mahmud, the chief minister who faces a rebellion within the coalition Government, led by his uncle Tun Rahman Yakub, said yesterday the governor, Dato Zaidi Adruse, had agreed to dissolve the state assembly.

Under the constitution, elections must be held within 90 days of the assembly's dissolution.

Sarawak was plunged into crisis on Tuesday when 28 of 48 assemblymen defected from the Government and demanded Mr Taib's resignation.

Tun Rahman, a former chief minister and governor, said he was ready to return to active politics.

The situation remained fluid and confused with supporters of two camps trying to persuade members of the other side with promises of financial and other favours.

After flying to Kuala Lumpur to brief Dr Mahathir, the Prime Minister, Dato Taib returned to Kuching, the state capital, to reassert control over his four party coalition Government.

The Sarawak crisis began as a personal quarrel between Mr Taib and his uncle over differences in running the state, but has become entangled with the state's racial and patronage system.

The Rahman still commands considerable influence within the main Moslem party Pesaka Bumiputra, forcing Mr Taib to rely more on the support of his non-Moslem coalition partners.

This left him open to accusations that he was not a good Moslem leader. He further angered Mr Rahman's supporters by cancelling their timber concessions and contracts.

Mr Taib also had to contend with rising Iban consciousness. The Ibans are the largest racial group in Sarawak and are becoming more assertive in the wake of the Kadazans' success in winning power in neighbouring Sabah.

As in many previous political crises in east Malaysia, the role of the federal Government is often crucial in deciding the outcome. But this time around, Dr Mahathir has indicated his neutrality.

The Malaysian Prime Minsiter is facing a strong challenge in the April elections of his United Malays National Organisation, and does not want to set off a political landmine.

Israeli Cabinet agrees to probe Pollard spy case

BY ANDREW WHITLEY IN JERUSALEM

A MARATHON special session of the Israeli Cabinet ended yesterday afternoon with an agreement to establish a committee to look further into the Pollard spy affair, at present putting the country's relations with Washington under unusual strain.

A bland, four-point statement, issued after 8½ hours' debate by the coalition cabinet, said the two-member committee would be named shortly.

The independent investigators are thought likely to be Mr Moshe Landau, a former Supreme Court president, and Gen Zvi Tzur, a former armed forces chief of staff. But officials discounted in advance any spectacular outcome.

The statement promised government co-operation with a parliamentary committee also investigating the case. It stressed "the unprecedented steps" Israel had taken to co-operate with the US.

The Knesset (parliament) intelligence sub-committee is expected to question closely Mr Yitzak Rabin, the Defence Minister, over the extent of official knowledge of what the Government has steadfastly described as a "rogue operation."

One member of the powerful Knesset committee said yesterday that it was imperative to put Israel's damaged relations with the US back on a sound footing as soon as possible.

Mr Simcha Dinitz, a former Ambassador to Washington, said preparatory moves towards an international conference on the Middle East were impossible, "while Israel is at war with the US and the US in making peace with the Soviet Union."

But, expressing a widely-shared feeling in the Israeli establishment against US pressures to punish those who might be found to be in a spy-ring, Mr Dinitz said Israel should not promise the Americans "to hang someone."

On the other hand, officials are saying privately that if the air force officer said to have recruited Mr Jonathan Pollard, the convicted American spy, were to resign of his own accord, this would relieve the Government of a considerable embarrassment.

A leading Israeli newspaper, Davar, meanwhile reported yesterday that US investigators suspect Mr Pollard was only one of a number of American Jews recruited over the years by Israeli intelligence.

"The Pollard affair did not begin in 1984," one senior US official is reported by Davar as saying.

IMF warns Israel on runaway inflation

By Our Jerusalem Correspondent

ISRAEL has been warned by the International Monetary Fund that inflation, running at an annual rate of 20 per cent, could once again accelerate out of control if preventive measures are not adopted.

An internal Treasury report is, meanwhile, forecasting that a further devaluation of the shekel may be required by October to restore export competitivity, if wage rises continue at their present rate.

Despite official misgivings, the Israeli currency was devalued in January by just under 10 per cent against the US dollar.

An IMF team has just completed a week-long visit to Israel, during which concern was expressed over slow progress in reducing government spending and opening up the economy to market forces.

The Fund is believed to have told Israeli officials, including Mr Moshe Nissim, Finance Minister, that unless the stabilisation programme was put back on track, Israel could follow the example of Brazil and Argentina.

In the first quarter of 1987, prices have been rising at an annualised rate approaching 40 per cent—well above the official target rate, raising fears that a consumer spending-led boom could break down the government's austerity programme.

Hong Kong's local press reform plan approved

BY DAVID DODWELL IN HONG KONG

HONG KONG's Legislative Council yesterday approved government proposals to reform local press laws—including a clause attacking "false news" that many claim is an assault on the freedom of the press.

Controversy over the reforms, which took the Hong Kong Government by surprise when it broke out in the last week of a three-month debate on new press laws, resulted in one of the longest and most fiercely debated sessions seen in the territory's indirectly-elected legislature.

The eleventh-hour outburst illustrates a continuing undercurrent of anxiety in Hong Kong over the protection of civil liberties after 1997, when Peking regains sovereignty over the territory.

It comes after the suppression of civil unrest in mainland China, and moves by the Singapore Government against two prominent international publications.

Mr David Ford, head of the territory's colonial administration, confessed that he had been "astounded" that reforms setting out to remove from the Statute Book an array of draconian laws giving the Government sweeping powers over the local media had come to be interpreted as machaevellian moves to stifle press freedom.

These laws were introduced in 1951, shortly after the Communist revolution in mainland China, and were intended to protect against the possibility of fifth columnists fomenting revolution in the British colony by manipulation of the press.

Today, according to the Government, they are out of keeping with the current mood on press freedom. After purging what it felt were the draconian powers, just one provision was retained—attacking "false news" intended "to cause public alarm or disturb public disorder."

Justifying the retention of this clause, Mr Ford argued: "we believe that the community is entitled to protection from irresponsible reports that have serious consequences for the stability of this territory.

New Delhi exports rise by 17%

BY K. K. SHARMA IN NEW DELHI

INDIA'S trade gap has narrowed because of a 17 per cent rise in exports and a marginal rise in imports of under 3 per cent, according to figures released by the Ministry of Commerce yesterday for the first three-quarters of the 1986-87 fiscal year.

At the same time, India's foreign exchange reserves at the end of January 1987, stood at Rupees 70.59bn (£3.8bn) showing an increase of 9.8 per cent over January 1986.

Commerce Ministry figures show that during April-December 1986 the value of exports increased by 17 per cent to Rs 89.78bn against an actual decline of 6 per cent in the same period of 1985.

Imports totalled Rs 141.89bn, rising by just 2.3 per cent over the same period of 1985 (in contrast to a rise of 18 per cent over April-December 1984).

The overall trade deficit narrowed to Rs 52.10bn in April-December 1986.

Intervention in Chad condemned

BY TONY WALKER IN CAIRO

EGYPT yesterday hosted a mini-African summit in Cairo attended by a number of heads of state as part of its drive to assume a more prominent role in African affairs.

Egypt is pressing the candidacy of President Hosni Mubarak as the next chairman of the Organisation of African Unity. Cairo's leadership ambitions in the African arena have been clear for several years.

Heads of state, including the leaders of Egypt, Zaire, Zambia, Congo, Sierra Leone and Uganda, and delegates from Algeria and Mali discussed latest developments in Chad and the $175bn debt crisis facing African countries.

African leaders at yesterday's meeting, which is a prelude to an OAU summit in Addis Ababa in mid-year, condemned foreign intervention in Chad. Libya, which is fighting French and US backed Government troops in Chad, is itself a member of the OAU.

Officials in Cairo see an African dimension to Egypt's foreign relations as an important counterweight to its Arab links, harmed by the 1979 peace treaty with Israel. Cairo's diplomatic drive in Africa is also a means of refurbishing its non-aligned credentials damaged by the 1979 peace accord.

Mr Boutros Ghali, Egypt's minister of state with special responsibility for relations with black Africa said in a recent interview that his country's dependence on the Nile as its sole source of water left it no choice but to devote its energies to improved relations with African states.

"The African dimension of Egypt is very simple," he said. "There is no rain in Egypt. Water only arrives (in Egypt) through eight African countries where the Nile rises."

African leaders yesterday condemned apartheid in South Africa and appealed to Israel to return territories seized in the 1967 war so that Palestinians could return to their homeland.

Manila 'death squads' kill police chief

SUSPECTED Communist rebels shot dead a local police commander in his car yesterday, the fourth slaying of a Manila area policeman in a week, investigators said, Reuters reports from Manila.

"Do not fear. Long live the NPA (Communist New People's Army)," witnesses quoted one assassin as shouting after they gunned down suburban police chief Captain José Merano as he drove to his office in Pateros town.

Investigators said a woman in her 20s forced Captain Merano to put on the brakes by running into his path as he drove through a residential area. She then walked towards him and shot him point blank in the head.

Two companions on the pavement also opened fire, police said.

The assassins fled in a pedicab after taking his pistol and Armalite rifle, police said.

The pedicab driver, held by police for questioning, said the killers told him Captain Merano "owed blood debts to the people."

Captain Merano was the fourth police officer in the Manila area to be killed in eight days by suspected liquidation squads dubbed Sparrows.

On March 3, an alleged Sparrow squad gunned down an Army colonel and his driver in another suburb during a traffic jam.

Three days later, suspected guerillas killed a police officer in another Manila suburb and on Wednesday a patrolman was shot dead in a passenger jeep by three gunmen also believed to be rebels.

More than 270 people have died in escalating rebel-related violence across the country since a 60-day ceasefire and peace talks to settle the 18-year insurgency collapsed a month ago.

More than 23,000 peasants have fled mountain villages on southern Mindanao island and sought shelter in schools, churches and private homes in Davao city to escape the insurgency, military authorities said.

Nigeria imposes curfew on state

NIGERIA's military Government imposed a dusk-to-dawn curfew yesterday on northern Kaduna state after clashes between Moslems and Christians in which 11 people died, Reuter reports from Lagos.

All schools and colleges in the state were also ordered to close because of the disturbances, a statement said.

The statement, signed by the regime's number two, Rear-Admiral Augustus Aikhomu, confirmed that nine people were killed when the fighting broke out last weekend in the railway town of Kafanchan, and said two more died when violence spread to the volatile university city of Zaria.

Urging the media to show restraint in its reports, Mr Aikhomu said the situation in the predominantly-Moslem state was now under complete control.

"Preliminary reports trace the disturbance to some undesirable elements hiding under the cover of religion as an excuse to break the public peace," the statement said.

Clashes between militant Moslems and minority Christians began at the weekend in Kafanchan, one of the north's few Christian enclaves, where students went on the rampage after a Christian crusade.

The military governor of Kaduna state, where all the incidents reported so far have occurred, missed a meeting yesterday in Lagos of the military governors of Nigeria's 19 states, to fly back to Kaduna to take charge of the crisis.

"The state government... is not in any way prepared to tolerate hypocritical religious fanaticism, tribal sentiments and general acts of lawlessness," the governor, Lieutenant-Colonel Abubakar Umar, said in a radio and television broadcast on Monday.

He announced amendments toughening a state edict on religious preaching, in force since 1984 following previous violence. Preachers who defied the edict could now be jailed for a maximum of five years, rather than two.

The federal Government in Lagos ordered an inquiry into the Kafanchan clashes but a report yesterday by the official News Agency of Nigeria (NAN) fro Zaria suggested that the problem had still not been contained.

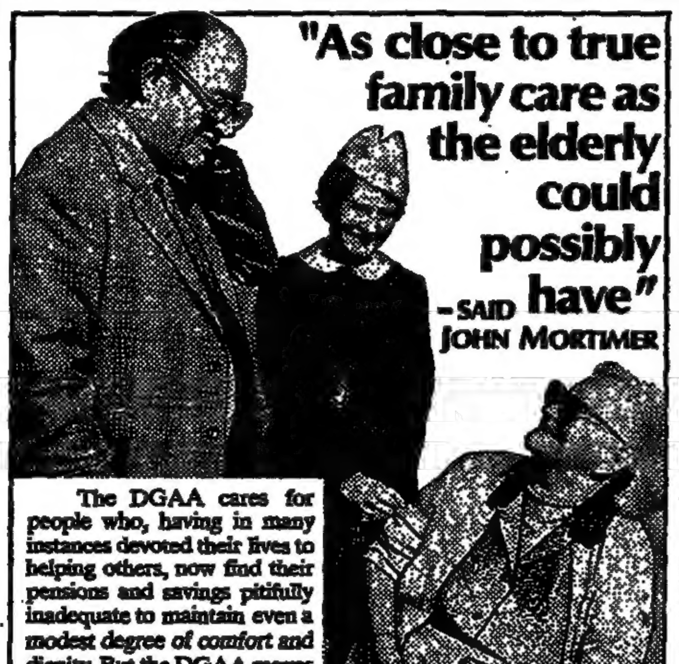
It said that the city's college of advanced studies was closed indefinitely yesterday after Moslem students burned down the college chapel and a Baptist church, attacked other students with sticks, and mounted roadblocks where cars were stoned and estroyed.

There were no reports that violence had spilled over to the Ahmadu Bello University campus in Zaria, one of the biggest in Nigeria, and traditionally a hot-bed of student radicalism with a militant Moslem association. But the NAN correspondent said many frightened students there were packing their things and leaving.

In the northern state of Borno, the Government has banned preaching and playing of religious tape cassettes in public, because of insults being traded between rival sects, NAN reported.

Thousands of people have lost their lives in a succession of religious riots in the north over the past seven years.

Most have involved followers of a deviant Moslem preacher from Cameroun, known as Maitatsine, who was killed by police in his stronghold in the northern city of Kano in 1980.



WORLD TRADE NEWS

Japan's car makers plan sharp cuts in exports to Europe

BY CARLA RAPOPORT IN TOKYO AND WILL DAWKINS IN BRUSSELS

JAPANESE car makers intend to curtail sharply exports to European countries this spring so as to head off the possibility of protectionist measures from the European Commission.

The move follows warnings from Tokyo's Ministry of International Trade and Industry (Miti) to its domestic car industry that exports to the EEC were increasing too rapidly.

Japanese car sales to Europe rose by a record 19 per cent in 1986, climbing even more steeply by 38 per cent in January. The influx has angered European car producers, who are putting pressure on the Commission to take steps to hold off any further increases. They fear that up to 100,000 jobs in the European car and components industry could be lost within the next two years unless the Japanese advance is halted.

Car industry officials in Brussels were yesterday digesting their Japanese counterparts' latest intentions. One official pointed out that January's sharp increase—which is expected to be followed by a second month's steep rise when the February car import figures are finalised—could still leave Japanese car sales in the EEC for the full year around 10 per cent up on 1986, even after several months of zero-growth.

Japanese car makers say the unusually sharp rise in January shipments was aimed at rebuilding stocks which had been severely reduced by a drop in export growth towards the end of 1986. Car makers intend to reduce exports to the same level as last year by the end of this month. This zero growth restriction is expected to last until the end of the summer, according to car industry executives.

Leading European car producers are expected to discuss Japanese imports at a meeting today with Mr Karl-Heinz Narjes, the European Commissioner for Industry. Attending the meeting will be Sir John Egan, chairman of Jaguar, Mr Vittorio Ghidella, managing director of Fiat and Mr Francois Perrin-Pelethier, secretary general of CCMC, the European car makers' federation.

Agreement on tied aid hangs on Tokyo's approval

BY PETER MONTAGNON, WORLD TRADE EDITOR

LEADING industrial countries are by this weekend due to decide sweeping changes to internationally-agreed rules on export credits designed to limit the use of tied aid and other subsidised loans which, the US claims, distort world trade.

The new rules, proposed by the EEC in the framework of the Organisation for Economic Co-operation and Development (OECD) consensus on export credits, would make it more expensive for governments to use their development aid budgets to subsidise export credits because they would raise the minimum level of grant to be applied to each such operation.

They have already been endorsed by the US and the EEC before a deadline set by the OECD for this Sunday. Still awaited, however, is approval from Japan, which has been among the most reluctant countries to accept the reforms.

DISCOUNT RATES UNDER OECD PROPOSAL

Current market rate	Discount rates 1/7/87	1/7/88
6	8	7
8	9	8.5
10	10	10
12	11	11.5

Source: US Eximbank

Japanese officials said that a decision on the proposals is due to be made in Tokyo within the next few days. The powerful Ministry of International Trade and Industry (Miti) is prepared in principle to accept them but this still depends on whether the Ministry of Finance will provide additional funds to cover the extra cost of operating the system.

The new OECD proposals would involve scrapping existing rules that call for grant to be set at a minimum of 25 per cent of the value of each "mixed-credit." They would be replaced by a complex new set of rules which call for:

- A minimum level of grant on loans to the poorest developing countries of 50 per cent to apply from July 1;
- The minimum level of grant on loans to other countries to rise to 30 per cent in July and again to 35 per cent by July next year;
- Changes in the notional interest rate (currently 10 per cent) used to calculate the cash value of the grant;
- *The abolition from July next* year of minimum interest rates on export credits to the richer developing countries coupled with an increase of up to 0.3 per cent on minimum rates for loans to other countries.

Under present rules for mixed credits the value of the grant is calculated by assuming that the debtor would have to pay interest at 10 per cent if he had had to borrow money in the usual way. This makes it easier for countries such as Japan which have low interest rates to meet minimum grant requirements and they can therefore spread their aid *budgets further.*

The changes would introduce the concept of a differentiated discount rate related to the actual market rate prevailing for each currency concerned. From July the differentiated discount rate would be set by adding 10 per cent to the market rate and dividing by two.

From July next year, a second change would apply which would reduce further the discount rates below 10 per cent and increase higher rates. This would cut the cost of mixed credits for countries like Britain which have market rates generally in excess of 10 per cent.

At that stage the discount rate would be calculated by subtracting the market rate from 10 per cent, dividing the result by four and adding the market rate (see table).

Mr John Bohn, chairman of the US Eximbank which has been a major force behind the new proposals, said: "I expect the new guidelines to reduce sharply the frequency of mixed credits . . . without reducing the flow of truly concessional loans."

But he warned that, if other OECD countries respond by simply increasing their aid budgets to maintain their competitive position in developing country markets, "we will continue to meet mixed-credit offers head-on."

Japan, along with other low-interest countries such as Switzerland and Austria, has been among the most reluctant to accept the new rules because they would make its own mixed-credit scheme much more expensive.

The abolition of the minimum interest rate for export credits on loans to the richer developing countries could, however, cause problems for countries with high interest rates.

It is not clear whether any subsidy will be permissible at all on these loans after July 1988 or whether subsidisation will be permitted down to the level of the so-called market rate which is defined as approximate market rate for fixed rate financing to top quality business.

Either way official export *finance in sterling would be*come much more expensive for borrowers. Currently the rate for loans over five years is 9.55 per cent whereas the "market rate" is 11.36 per cent.

A particular problem for Britain would be its recent protocol with the Soviet Union where interest rates were fixed at 7.8 per cent.

Electricite de France signs FFr 1.4bn Swiss supply contract

ELECTRICITE DE FRANCE, France's electricity utility, has signed a FFr 1.4bn ($227m) contract to supply power to Switzerland, George Graham reports from Paris.

Forces Motrices du Nord-Est de la Suisse, the leading Swiss power supplier, has agreed to a 200 megawatt supply contract, with an option to take a further 100 MW.

The Swiss company will contribute around FFr 7m per megawatt to EdF to cover the investments, but the contract is not tied to the construction of any particular power station.

Supplies of electricity are to begin in 1994 and Forces Motrices will also pay a proportion of the fixed and variable operating costs

Switzerland is France's best customer for electricity in a trade which earned the country a net FFr 3.5bn in foreign currency last year.

France's network of nuclear power stations, with a production capability of 43,000 MW last year, has enabled the country to build up considerable exports of current.

In 1986 France exported 31.7m MW hours of electricity against imports of 6.3m MWh, a net surplus of 25.4m MWh.

France has been a net exporter of electricity every year since 1979. The new plant at Creys-Malville, for example, exports 49 per cent of its production to Italy and West Germany.

Net exports to Switzerland amounted to 9.5m WMh, while Italy was the second largest customer with net imports of 6.3m MWh.

The installation of the direct current Channel cable brought a sharp increase in net exports of electricity to the UK last year. They rose to 4.4m MWh in 1986 compared with 100,000 MWh the year before.

European merger forecast

BY JOHN GRIFFITHS

A MERGER between two of the six leading West European car producers could happen within the next five years under the pressures of 20 per cent overcapacity, Japanese imports and other possible new sources of supply, a study by the Economist Intelligence Unit warns.

One outcome could be the emergence of a single force representing the French car industry as the result of a merger between Peugeot and the currently loss-making, state-owned Renault group, says the study* Joint Ventures and Agreements in the West European Motor Industry.

A joint venture of this kind would capture a quarter of the West European car market and make the partners the dominant force in Europe, the report points out.

Large-scale agreements have not been reached so far because of individual companies being unwilling to lose their independence or because of nationalistic considerations, says the report in referring to last year's abortive Fiat-Ford negotiations and those between the UK's then-BL group and Ford and General Motors. "But the market forces in Europe over the next five years — especially the excess of supply over demand — will make a merger more likely than in the past."

A new type of joint venture is now emerging compared with the first witnessed in the 1970s, and which involves the need to ensure preservation of a weak partner rather than for the mutual benefit of both, the study point out. Both Daf's merger with Leyland Trucks and Volkswagen's takeover of Seat of Spain could be viewed in this category, it observes.

** EIU Special Report No 7, The Economist Intelligence Unit, 40, Duke St, London W1A 1DW. £85 or $160.*

US textile bill to provoke certain EEC retaliation

BY QUENTIN PEEL IN BRUSSELS

MR WILLY DE CLERCQ, the EEC Commissioner for external trade, has warned the US government of dire consequences, including certain retaliation, if a highly protectionist textile trade bill is passed by the US Congress.

His outspoken warning came in a letter to his American counterpart, Mr Clayton Yeutter, the special trade representative, about the legislation presented in both the Senate and House of Representatives last month, seeking to impose a maximum 1 per cent per annum growth rate on US textile imports.

The Bill is not supported by the US Administration.

If the proposed Textile and Apparel Trade Act were adopted, he says, "The European Community would be obliged to adapt its own textile policy to avoid the diversion of trade. and to take retaliatory measures against American products."

Mr De Clercq said that if the bill became law "it would fundamentally change the way in which the world trade in textiles has been conducted for the past 25 years," and call into question the recent extension of the Multi-fibres Arrangement (MFA) between developed and developing countries.

The bill before the Congress proposes setting the annual growth rate of 1 per cent on the basis of 1986 imports, for all textile products and clothing, as well as non rubberised shoes—whether such products have been subject to restriction or not.

It means that developed country exporters—such as EEC members—would be affected, as well as the low-wage developing countries covered by the MFA.

Mr De Clercq says in his letter that EEC imports of textile and clothing from the US actually increased by 36 per cent over the first nine months of 1986, whereas US imports from EEC countries of the same products fell by 0.5 per cent.

Portuguese shop to open in Warsaw supermarket

BY DIANA SMITH IN LISBON

PLANCO, the international trading arm of Pao de Açucar, Brazil's giant supermarket group, has formed a joint venture with Baltona and Spolem, two leading Polish state-run retail companies.

Planco has built, decorated, equipped, stocked and trained staff for a new shop called "Lizbona" in a new Warsaw supermarket and shop complex.

The company is also supervising the management of Lizbona, where goods will be sold for dollars or dollar bonds to Polish citizens. The annual sales target is $1m.

Except for Polish liquor and tobacco, all the merchandise is Portuguese and the range of goods resembles that available in Pao de Açucar's Portuguese supermarkets which have an annual turnover of $170m.

Merchandise on sale in Lizbona ranges from Portuguese domestic appliances — such as dishwashers and washing machines, to vegetable oils and vinegar, sardines and port and madeira.

The Warsaw shop is Pao de Açocar's and Planco's first retail venture in the Comecon area, and the first time a shop offering an exhaustive range of exclusively Portuguese merchandise has been set up outside Portugal.

Trade between Portugal and Poland in January-October 1986 was just over Esc 1.8bn ($12.5m) with a surplus of Esc 1.3bn in Poland's favour.

Portugal's trade with the whole Comecon bloc totalled Esc 26bn in the January-October 1986 period.

Planco, which has traded with Comecon countries since the early 1970s, agreed to the Warsaw retail venture a year ago, providing a prime site was found for the Portuguese shop. If it is a success, similar ventures may be tried in other eastern European countries.

Portgual increased textile exports in 1986 by 20 per cent to Es 320bn ($2.21bn).

Imports of materials for the textile industry and other textiles or clothing rose by 19 per cent to Es 118m.

Accession to the European Community has benefited Portuguese textile and clothing companies, and new efforts are being made to encourage investment in rationalisation, modernisation and research into new products, methods and design.

UK NEWS

PROPOSED REFORMS FOLLOW EXAMPLE OF EUROPEAN CIVIL LAW TRADITION

Call for faster and cheaper civil justice

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE POSSIBILITY of speeding up the machinery of civil justice in England and Wales and of reducing radically its costs is outlined in the final consultative paper on Civil Justice Review, published by Lord Hailsham, the Lord Chancellor, yesterday.

It is proposed that these aims should be reached by a number of measures which can be grouped under three major headings:

- The integration of the system of courts, which would release reserves of manpower and other resources.
- The introduction of a unified code of civil procedure, which would cut through the largely historical complexities, bringing the procedure closer to that of the civil law tradition of Europe and allowing a greater proportion of disputes to be settled by informal methods.
- Reliance on competition between lawyers to bring down both time-based and fixed fees and to make courts more accessible, with the added expectation that lower fees will exert a pressure towards further simplification of procedure.

Official backing for such bold proposals is unique in the history of English law reform and was made possible by the unconventional composition of the Lord Chancellor's Advisory Committee, to which he appointed only three practising lawyers. Another three members were businessmen, three represented trade union or consumer interests, and their number was completed by one academic.

The present report rounds up the general issues which were identified in the course of the previous five studies of which the most advanced on the way to governmental adoption is that dealing with personal injuries litigation.

Others dealt with the enforcement of debt, where a far-reaching computerisation has been proposed; housing, where arbitration and other informal procedures were recommended; small claims, recommending further expension of the simplified procedure; and commercial disputes, envisaging further streamlining of the process.

There are two important omissions in the present paper. Although the proposed shift towards written procedure is bound to fuel the argument in favour of a fused legal profession, ending the present separation of solicitors and barristers, this subject is not even mentioned in the paper. Also, the question of judicial appointments is left aside, except for a hint that a junior post may be filled by promotion from the court staff, which could be interpreted as a small move towards the idea of a judicial career service.

The Lord Chancellor calls for comments to reach his office by the end of July. Their interdepartmental processing should lead to a decision being adopted by the end of the year, although the department's view seems to be that the results of a general election, if it comes in the meantime, should not interfere very much with the decision-making processes.

If the expectation is correct that a section of the Bar and some solicitors will oppose the changes, some party political consideration will no doubt be taken into account. Most of the proposals, however, could be implemented by a change in the rules of the courts without legislation.

Civil Justice Review Consultation Paper No 6: General Issues; Trevor Cook, Lord Chancellor's Department, Room 611, Trevelyan House, 30 Great Peter Street, London, SW1P 2BY; £2.

THE RADICAL reforms to reduce delay, cost and complexity proposed in Lord Hailsham's paper on civil justice deal with general issues of court organisation, procedure and management.

The new paper bears the mark of the predominantly lay membership of the advisory committee which has been conducting the review of civil justice.

Chaired by Sir Maurice Hodgson, chairman of British Home Stores, the committee includes Sir Kenneth Bond, vice-chairman of General Electric Company, Mr Robert Kerr, assistant general manager of Guardian Royal Exchange and Lord Griffiths, one of the more down-to-earth Law Lords.

The TUC, Citizens' Advice Bureaux, the Office of Fair Trading and the two legal professions – solicitors and barristers – are also represented. Professor Ian Scott of Birmingham University is the only academic on the committee.

The numerically weak representation of the judiciary and of the legal profession on the committee – only three members out of 10 – explains its departure from some of the hallowed and costly traditions.

If accepted and implemented, the paper's recommendations would advance by an important step the process of unification of English courts, place the control of the speed of court procedures in the hands of the judge, shorten hearings by having better written preparation for the trial, and relegate a great proportion of disputes to arbitrations, either informally by a judge or by an arbitrator from a panel appointed by the court.

The committee says its recommendations reflect the best achievements of other countries which have a common law system and take into account the experience of France and West Germany. If adopted, these recommendations would bring the English adversarial system much closer to that of countries with civil law systems, which give judges greater initiative.

■ BUSINESS LAW
WEST GERMANY

Paying the lawyers for fast action

By A. H. HERMANN

THE FAILURE of the centrally planned economies is due not so much to Marxist philosophy as to the fact that they pay producers for making the predetermined quantity of pegs and the predetermined quantity of holes, never mind whether they join together. If people are paid only for pegs and not for joints it will take an interminable time before they complete a joint.

I will now venture to expand this truth further: it applies not only to peg-makers in the Soviet Union but also to lawyers in the UK. Should they hit on the idea that this truth could be suppressed by shooting its discoverer, I must warn them: this remedy has been proved quite ineffective.

To come to the point: UK lawyers are paid a time wage. Solicitors bill for the number of telephone calls they make, letters they receive and write, and conferences they attend. Sometimes even for the time they spend thinking—though few go to such an extreme.

The longer a dispute is dragged out, the more complicated and confused it gets, the more billable phone calls, letters and conferences there are. It happens only rarely that a solicitor bills to one client more than 24 hours per day, but an attempt to add up the hours invoiced by one and the same partner to several clients in a certain period of time may produce interesting results.

Barristers, by contrast, are more "transparent." They have to be actually in court to claim daily "refreshers" but, fortunately most of their former colleagues on the bench let them speak and read and listen and doze without hindrance. This is called the Rolls-Royce quality of justice, an dthe UK establishment would have us believe that it cannot be achieved otherwise.

Well, in West Germany, where a taxi driver would not think of driving anything else but a Mercedes, they do things quite differently.

As one can expect, German lawyers' remuneration is determined by statute. The *Bundesgebührenordnung für Rechtsanwälte* specifies in great detail the calculation of fees in different types of situations taking into account that one lawyer may serve simultaneously several parties, or that one party may be served simultaneously by several lawyers. Account is taken of different procedure, contentious and non-contentious, civil and criminal, commercial and matrimonial.

However, the fundamental principle of all these provisions is laid down in section 31: the lawyer is entitled to one fee for pre-trial work, a second fee for hearings, a third fee for assisting with evidence, and a fourth fee for attempting a settlement. The statute lays down the minimum percentage rate of these fees. The same percentage fee is provided for each of the four stages of legal assistance and is calculated from the amount in dispute. In other than money claims, the court determines the "value" of disputes from which both the lawyers' fees and the court fees are calculated.

The percentage provided for in the statute is the minimum that lawyers are obliged to charge. They may agree a higher percentage fee with the client but such agreement must be in writing in a separate document and certainly not small print on the power of attorney. This arrangement has several consequences. First, the party contemplating litigation can calculate fairly accurately how much it would cost. Second, the lawyer who gets the same amount of pay whether he writes one letter or 100, or whether he spends in the court one hour or a fortnight, is interested in getting the business over and done with as quickly as possible — and so are the lawyers of the other party. Third, if the dispute is allowed to go to judgment, the lawyer can get only the first three portions of the fee. If he attempts or reaches a settlement, he will get a fourth portion.

As arbitrators are paid in Germany according to the same fee scale as attorneys, they too have a financial interest in reaching an amicable settlement of the case. They are paid extra for settlement but not for an award. As a result, every arbitration in Germany starts with an attempt at conciliation.

The judges, of course, have none of these financial incentives—unless they act as arbitrators, which they may—but the Code of Civil Procedure makes it their duty to steer the parties towards an agreed settlement before starting a full trial leading to a judgment. The rules of payment and procedure giving such important priority to settlement lead also to a different behaviour of parties, lawyers and judges during litigation.

Though covered by detailed rules of the Code, the procedure is highly informal, more like a round-the-table conference than trial of the rights and wrongs of parties looking up to the judge on an elevated bench and calling him "My Lord." What is generally and rather unfairly called the "inquisitorial" procedure of civil law countries gives the judge a much more active role both in the preparation of the proceedings and in their conduct.

The judge decides whether the evidence proposed by the parties is relevant and admissible and he may ask for additional evidence which none of the parties volunteered.

He will lay down a timetable for providing the evidence and written pleadings; and he studies the papers carefully before the hearing, where the oral submissions of the lawyers are often required only to supplement and explain obscure points of their written submission.

The questioning of the witnesses is started by the judge but both parties or their lawyers may put questions to the witnesses, directly or through the bench if formality is insisted upon. In practice, parties, their lawyers and witnesses will have a running discussion if the judge allows it or asks for it.

Though tending to speed up and simplify the resolution of disputes, the German system of remunerating lawyers according to the amount at stake is not without flaws. It sets fairly low remuneration for low claims and this in practice will often result in the lawyer discouraging the claims or obtaining from the claimant an agreement to a higher rate of fee. On the other end of the scale, when the claims are very high, the lawyers can claim quite disproportionate rewards, particularly in non-contentious work, and the client will be unable to obtain a discount because the attorneys are not allowed to go below the statutory rate.

This provides an incentive to large companies and banks to rely more and more on their in-house lawyers. For example, the preparation of papers for major loan agreements or new issues of bonds—a lucrative business of the London City lawyers—are with the exception of Commerzbank settled for German banks by their own legal departments. German practising lawyers must be losing also a lot of other business where the advice required is relatively simple but the amounts involved very large.

On occasions, clients from the common law jurisdictions were unpleasantly surprised when they were presented with bills calculated as a percentage of the amount involved and running into hundreds and thousands, though they knew that the lawyer could not have spent more than a day or two on the job. However, such surprises should now be rare as some years ago, the German Federal Supreme Court ruled that an American client should have been warned about the German calculation of fees—and when he was not, should be charged, according to his expectation, a time fee. This is also a good example of a jurisprudence willing to throw overboard a time-hallowed principle—that ignorance of the law does not excuse—for the sake of a practical commonsense solution. Large German law offices are now quite willing to agree a time fee with foreign clients who require it.

This possibility of choosing either one or the other method of paying the lawyer should make litigation in Germany a better bargain—wherever the plaintiff has a choice of forum. The "radical plan to speed up civil justice" published by the Lord Chancellor yesterday (Wednesday, March 11) should, if realised, go a long way towards increasing the cost-efficiency of English Courts. By promoting flat fees for certain types of disputes and fee competition for the rest it might even achieve more than the German system. Other proposed changes would give the judges greater control over proceedings. Unfortunately, nothing yet about fusing the legal profession.

Next week: Germany's changing attitude to EEC law.

EXAMPLES OF ATTORNEYS' STATUTORY FEES

In dispute DM	£	Ended with judgment DM	£	With settlement DM	£
3,000	1,017	525	178	600	203
30,000	10,169	2,937	995	3,916	1,327
300,000	101,691	8,817	2,988	11,766	3,988
1,000,000	339,000	17,367	5,887	23,156	7,849
for each commenced DM 50,000 add		450	152	600	203

£1=DM 2.95

In Business Law of Friday, March 6, the name of the Film Finances chairman who commissioned the auditor's report was Michael Carr and not Mr Hill, as s ated.

Guinness £5.2m 'sent to Jersey for Ward's help'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE £5.2m of Guinness money sent to a Jersey company was payment for "consulting services" provided by Mr Thomas Ward, a Guinness director, without which the Guinness bid for Distillers would have failed, it was claimed yesterday.

The claim was made in the defence filed by the Jersey company, Marketing and Acquisition Consultants, to Guinness's legal move in Jersey to recover the money.

Also yesterday, the Royal Court in Jersey was told that the £5.2m had gone through three banks on the island – National Westminster, Midland and Charterhouse Bank (Jersey).

From Charterhouse £3m had gone to Union Bank of Switzerland and on to Finterbank. The sum of $90,000 (£57m) had been paid to a firm called Martin Bird and Associates. About £30,000 had gone to Europlan Financial Services, a Jersey company associated with Marketing and Acquisition Consultants, by way of fees.

Marketing and Acquisition's defence document said that Mr Ward had wished to return to the US to carry on his law practice and avoid being separated from his family.

Mr Ernest Saunders, Guinness's chairman, and others were very anxious that Mr Ward should be available full-time in England so far as necessary to help with the Distillers' bid. With reluctance, Mr Ward agreed to do so upon terms that he was to receive substantial compensatory reward.

The compensation was to be for Mr Ward's business consulting services, as distinct from the legal services provided by his law firm.

"The level of compensation was agreed at an amount equal to £5.2m which was one-fifth of 1 per cent of the value of the ultimate bid. In comparison with sums paid in connection with the bid to Morgan Grenfell (£80m), Kleinworts (£5m), A W Bain and Co (with which Mr Oliver Roux was associated £17.5m) and Freshfields (£1.857m), the figure was fair and appropriate having regard to the services which Mr Ward rendered and the success he achieved," the defence document stated.

Mr Roux was at that time Guinness's finance director.

It continued that Mr Ward had asked Guinness to pay the money to Marketing and Acquisition Consultants.

The defence document claimed that Guinness knew that the £5.2m was paid in respect of advice in relation to strategy and execution in respect of the successful acquisition of Distillers.

Guinness also knew that the bid would not have been successful but for Mr Ward's expertise, services and advice; that the payment had been authorised in good faith in the interests of Guinness; and that it had been reasonable, proper and fully earned.

Mr Saunders, Mr Ward and Mr Roux, had *acted in good faith* in the interests of Guinness, the document claimed.

In its action, Guinness alleges that although the invoice for the £5.2m stated that it was in relation to services rendered by Marketing and Acquisition Consultants, Mr Ward had told Mr Roux that it related to sevices provided by unidentified *third parties for research into* the US wholesale network of Distillers.

Britain to issue gold bullion coins

By John Edwards

BRITAIN is to have a new gold bullion coin. The Britannia – a 22-carat coin will be available in one ounce, half ounce, quarter ounce and tenth of an ounce sizes.

Several gold coins have been issued to tempt investors since new production of the South African Krugerrand was halted. The Britannia will compete with the Canadian Maple Leaf, which in 1985 captured 65 per cent of the world gold coin market, and the American Eagle, which appeared in October.

The Britannia will be produced by the Royal Mint in Cardiff which will continue to make gold sovereigns. These are not easily marketable because of their unorthodox weight of 0.2354 of an ounce.

The new coins will be minted from gold obtained on the world bullion market (because UK production of the metal is so small), but South African gold will not be used.

The coins will have a portrait of the Queen on the obverse and the reverse design will feature Britannia and will be priced according to gold quotations on the day, plus a premium.

The US Eagle was the first gold coin minted by the US Government specifically for investment, and duplicates the weight and purity specifications of the krugerrand whose importation into the US market was banned in September, 1985.

Congress mandated that all gold used in the Eagle must be mined in America – it has been advertised as an "American coin for Americans."

Mr Nigel Lawson, the UK Chancellor of the Exchequer and Master of the Royal Mint, announced the Britannia in reply to a written House of Commons question yesterday, saying that the Queen had been "graciously pleased" to approve the new coin.

Belgium yesterday minted the first coins denominated in European Currency Units (Ecus), a currency which has existed for years but mostly only on ledger books and in banks' computers.

The Ecu is a cocktail of European Community currencies, except for those of the Community's newest members, Spain and Portugal.

Belgium is minting the coins – one in silver and the other in gold – to mark the 30th anniversary of the Treaty of Rome, which set up the Community.

Government stands firm over banks ruling

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT does not at present intend to bow to the intensive lobbying of the clearing (retail) banks over the Securities and Investment Board's (SIB) proposed restrictions on the sale by the banks of life assurance and unit trusts.

No decision has been taken, but all the indications at Westminster are that ministers have not been *persuaded by the clearers' protests.*

The issue was fully discussed during last year's consideration of the Financial Services Act and the Government believes that nothing has happened since then to alter its view based on the priority of investor protection.

Tory MPs interested in City of London matters have given a warning publicly and privately, that any change in the draft rules would significantly undermine the SIB's authority at the start of its operations, and would give political ammunition to the Opposition in view of the controversy over the regulation of City markets.

Under the SIB's so-called "polarisation" rules bank managers would be able either to give customers general advice about unit trusts and assurance or to sell them the bank's own products, but they would be prohibited from carrying out both activities.

The banks argue that this would represent bureaucratic interference in the operations both of themselves and of building societies, would undermine their competitive position and would weaken long-standing relationships with customers.

The banks' case has been argued forcefully in the House of Lords, notably by Lord Boardman, the former Tory Minister and now chairman of National Westminster Bank. But in the House of Commons, most Conservative back benchers interested in the issue support the SIB.

At a recent private meeting of the Conservative back bench trade and industry committee, most, though not all, speakers opposed the banks' case and expressed concern about the position of the independent intermediaries in the insurance business.

Sir Gordon Borrie, the director-general of Fair Trading, is expected to report very soon to the Department of Trade and Industry on whether the SIB's draft rules contain any anti-competitive provisions.

Ministers do not have to accept his advice automatically but will consider it along with their concern for investor protection before deciding whether to put forward the parliamentary order transferring powers to the SIB under the Financial Services Act.

The whole affair may delay the full coming into operation of the SIB, possibly until the end of this year, since after the order has been laid before parliament it has to be debated by both Houses.

Any change in the "polarisation" rules could lead to a sizeable vote by Tory *MPs* in the Commons.

Alan Cane writes: Barclays Bank yesterday launched an electronic service which promises to cut time and cost in the settlement of stock market deals nationally and internationally and which takes the bank into competition with services offered by US and Japanese banks.

It is essentially a computer-based messaging system and enables brokers and others involved in securities trading to send receive and deliver instructions to any one of Barclays' settlement and custodian branches throughout the world.

Building societies given greater scope to diversify

BY HUGO DIXON

BUILDING societies' to diversify into new financial services markets has been almost trebled, following changes in the rules the Building Societies Commission was *proposing* to implement on capital adequacy.

The original proposals, published last August, were attacked by societies as being too cautious. They would not leave them with the financial resources to take advantage of the new powers allowed to them under the 1986 Building Societies Act.

This act, which came into force in January, permits societies to offer a range of banking, investment and housing services in addition to their traditional savings and home loans businesses. It is an important element *of the Government's policy of* encouraging competition in financial markets.

In a revised paper on capital adequacy, published yesterday, the commission has accepted most of the societies' arguments. After carrying out trial calculations with a sample of 18 societies, it said it had discovered the original proposals were tighter than it had intended.

The average society will now have capital equivalent to 0.91 per cent of their assets left over with which to diversify into new businesses after it has set aside what the commission requires on prudential grounds. This is almost three times as much as the 0.36 per cent left in the original proposals.

The Building Societies Association, the industry's trade association which led the lobbying against the original proposals, welcomed the new rules: "They provide a satisfactory framework for societies to use their new powers."

The *original* proposals came as a "culture shock" to many societies, Mr Michael Bridgeman, chairman of the Building Societies Commission, which drew up the regulations, admits. But he does not think that was necessarily a bad thing.

"For too long, societies had answered the question 'why do you want capital?' with 'because the regulations say so' ".

The commission's original proposals focused societies' minds on *the greater risks they now face*

In fact, the commission has given way to the association on almost all specific points. It has agreed that a mortgage is not any riskier just because the borrower has received a further advance and that only mortgages of over 95 per cent (rather than 90 per cent) of the value of the underlying property should be treated as being particularly risky.

It has accepted that its original proposal for societies to hold capital equivalent to 75 per cent of their fixed assets, such as their branch offices, was too high, although the cut to 50 per cent is not quite as much as the association was hoping for.

Only on liquid assets has the commission largely stood its ground. It has only slightly modified *its requirement for societies to* hold substantial amounts of capital to protect themselves against a rise in interest rates.

The general framework the commission will now use to assess capital adequacy, however, is unchanged. The method, loosely based on the Bank of England's "risk-asset" approach for banking capital adequacy, involves dividing societies' assets into *categories* and assigning different weights to them depending on their riskiness.

"Capital Adequacy, a framework for assessment," Building Societies Commission, 15 Great Marlborough Street, W1V 2AX, £10.

France gains Ceefax access

BY RAYMOND SNODDY

THE BBC's teletext service Ceefax has crossed the English Channel and is now available on the Minitel videotext service in France.

It is the first time that Ceefax, the text news service broadcast on spare lines of the broadcast signal, has travelled abroad, apart from British forces broadcasting in West Germany.

By dialling the number 3615, users of more than 2.23m Minitel screens in France can have access to 100 pages of Ceefax – everything from the latest news headlines in Britain to recipes

There are more than 4,000 different services on Minitel, which, unlike teletext, is linked to the telephone system. Users pay a charge based on usage which is then divided between the telephone company and information providers. Last year, total Minitel revenues reached FFr 1.39bn (£143m).

Mr David Wilson, manager of BBC Ceefax, said yesterday: "We believe it is the first time that a major teletext service has gone to a major videotext service."

The French call up the Ceefax pages from computer discs, reformat them and add instructions

Ansbacher still holds shares in dispute

BY DAVID LASCELLES, BANKING EDITOR

HENRY ANSBACHER, the merchant bank at the centre of the Guinness affair, said yesterday that it continued to hold the 2.2m Guinness shares whose ownership is disputed between itself, Guinness, and Morgan Grenfell, the merchant bank.

In a statement accompanying its annual results, Ansbacher said that it held the shares as nominee, and would deliver them to the beneficial owners once these were identified.

Both Guinness and Morgan Grenfell have denied that they own the shares, which appear to have been bought as part of an operation to support Guinness' share price during its takeover bid for Distillers last year.

Ansbacher says it has also been advised that it has no liability to repay the £7.6m it received from Guinness in connection with the share purchase. Guinness maintains that the money was a deposit, but Ansbacher used it to pay for the shares.

Ansbacher said Guinness had not yet carried out its threat of legal action to recover the money. The shares are now worth about £6.9m.

Ansbacher also disclosed that it paid £79,000, in addition to other financial arrangements still being negotiated, to Lord Patrick Spens, the head of its corporate finance department, who resigned his £100,000-a-year job in the wake of the Guinness affair.

UK NEWS

Lucy Kellaway studies a gloomy North Sea report

'Critical' need for offshore work

A BP FORTIES FIELD PRODUCTION PLATFORM

THE NEXT two or three years could decide whether the offshore supplies industry has a long-term future.

Unless a new generation of oil projects in the North Sea is started soon, damage to the industry could be so serious that by the time activity picks up again, it may be too late.

This is one of the main arguments contained in evidence submitted by the industry to the House of Commons Select Committee on Energy. It was rushed out this week in the hope that it might influence next Tuesday's budget.

Most of the 30 industry representatives present a depressing glimpse of the prospects for the North Sea supplies industry, which is now facing a serious absence of orders.

The witnesses are unanimous that matters could be improved – although not transformed – by help from the Chancellor of the Exchequer next week. Some maintain that unless fiscal changes are made, many more jobs could be at risk.

According to the Grampian regional council many companies are waiting for the budget before they make further cuts.

The evidence submitted shows that between 20,000 and 22,000 jobs have already been lost in the UK as a result of the fall in the oil price. More than half of these losses have been in the Grampian region of Scotland.

The Highlands and Islands Development Board gives a warning of empty fabrication yards and struggling specialised companies. The UK Module Constructors Association, the members of which build the parts that sit on top of oil platforms, forecasts that the industry will be operating at only 36 per cent of the capacity this year. This could drop to 19 per cent by 1988.

Its members are suffering not only from an acute shortage of work, but are failing to cover overheads as oil companies press for higher quality and lower costs.

The British Rig Owners' Association reports that a rig employed for half of the time can expect to lose £2m a year. It says that under present conditions, UK rig owners will be forced to lay off skilled manpower and take rigs out of service.

Since its evidence was submitted, one of the four UK rig owners, Jebsens Drilling, has been forced to wind up its business.

The offshore engineering companies have also been badly affected. The British Chemical Engineering Contractors Association, which speaks for the major offshore engineering groups, says employment in the sector fell by 25 per cent last year, and on present projections could drop by a further 30 per cent this year.

"The UK's indigenous base of people experience in offshore technology which has been built up over the last 20 years will have been effectively dispersed, and the UK will once again be dependent on imported technology and foreign contractors," it says.

The message from most of the oil companies is not as desperate as from the offshore suppliers, although they too paint a serious picture of the recent damage to offshore activity.

According to the UK Offshore Operators Association, the fall in the oil price has reduced the industry's annual cash flow from £3bn to zero this year. This has been reflected in the sharp drop in exploration and development work.

Investment last year is thought to have fallen by about one third and, according to the association, will decline further this year.

However, the witnesses are unanimous that activity will pick up eventually, and that in the long term the North Sea will once again become an attractive oil province.

Most oil companies are basing their budgets on the assumption that oil prices for the next two years will remain around $17 a barrel, although will start to creep up again towards the 1990s. By then, most expect activity to be brisk again.

The question for the Government is how best to protect the industry from the investment gap that now yawns.

The Department of Energy, in its submission to the committee, gives little encouragement about the likelihood of a major tax change. It argues that changes in the tax system are not likely to have an important effect on new developments and urges the industry to foster new investment by cutting cosS instead.

The industry witnesses, on the other hand, argue that at least 12 things could be done ranging from turning the North Sea into an enterprise zone, to setting up special loans schemes or removing royalty payments.

However, the most popular measure is to allow breaches to the "ring fence" which now prevents the development costs of a new field being offset against the petroleum revenue tax (PRT) of an existing one.

Several breaches have been suggested, including exempting all the pre-development costs, such as design work. However, because the sums are small in relation to total costs its effect is also likely to be modest.

The favoured change would involve making a percentage of all development costs allowable against PRT from existing fields, which, the witnesses argue, could have a significant effect on activity.

According to the Scottish Development Agency, if the Government allowed 25 per cent of net development costs to be offset against PRT, development expenditure could be increased by 40 per cent over the next four years, and oil employment would rise by 6,000. The cost of the scheme would be £1bn over the next eight years, whereas spending would rise by £3.2bn.

The effect of Oil and Gas Prices on Activity in the North Sea; Commons Energy Committee HMSO: £8.90

Companies urged to counter computer fraud

BY ALAN CANE

MEASURES to help companies to counter the threat of computer fraud are set out in a report from the Institute of Chartered Accountants in England and Wales, published today.

The report is important not so much for its advice, which follows closely the generally accepted guidelines for containing such crimes, as for the weight it adds to the view that computer fraud has become a major hazard for most companies and is therefore a hot topic for senior managers.

It is "a potentially serious threat for most organisations using computer systems" the report states. With the growth of electronic funds transfer through banking and other networks, the threat is unlikely to diminish: "It needs your attention."

The report reviews and analyses a number of surveys of computer frauds uncovered in the UK and overseas. One survey by accountancy firm Ernst & Whinney found that more than half the companies interviewed felt that computer fraud had increased over the past five years.

Many of the companies interviewed believed fraud to be a serious problem within their own business: one in six suspected they could currently be the victim of fraud.

The report concludes: "It appears therefore that many organisations are alert to the threat of computer fraud, even though they may not always be sure exactly how or where the threat originates".

Most of the computer frauds which had been detected involved sums of less than £20,000. Nevertheless, there was the potential for large-scale fraud.

It was a crime frequently associated with senior staff in positions of trust.

Countering Computer Fraud, £4.95, Chartac Books, Institute of Chartered Accountants, 399 Silbury Boulevard, Milton Keynes MK9 2HL.

Thames Bridge 'would be hazard for aircraft'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PLANS TO build a bridge across the River Thames could conflict with air traffic using the London City airport (Stolport) now being built in Docklands, the Air Transport Users' Committee (AUC), the watchdog committee of British aviation, says. It is calling for a revision of the bridge proposals.

The AUC says that the plans for the bridge would involve piers nearly 400 ft high, and those could prove hazardous to aircraft

The committee says that the proposed piers could be reduced in height, and the span narrowed without impeding the volume of river traffic.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); *retail sales* value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
3rd qtr.	108.3	103.9	104	116.1	145.2	3,124	164.4
4th qtr.	108.4	103.6	106	116.7	177.7	3,122	168.2
1986							
1st qtr.	109.1	102.8	105	118.2	145.4	3,171	166.5
2nd qtr.	109.3	103.5	105	120.0	152.7	3,208	175.6
3rd qtr.	110.6	104.6	106	122.1	157.4	3,212	200.2
4th qtr.	109.6	105.6		124.8	192.5	3,143	213.0
June	107.7	103.4	108	121.7	155.4	3,220	184.4
July	110.2	104.5	103	120.9	158.2	3,222	193.2
August	111.1	104.2	103	122.0	155.2	3,219	201.1
September	110.5	105.0	113	123.2	158.7	3,193	208.4
October	109.7	105.1	108	123.2	164.7	3,166	212.8
November	109.7	105.6	116	126.4	182.1	3,145	215.2
December	109.0	106.0		125.0	223.2	3,119	210.0
1987							
January				122.3	157.4	3,119	210.3

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and *fuels*); engineering *output*, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Csmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.7	102.7	113.5	103.2	114.0	102.4	15.6
1986							
1st qtr.	103.0	101.4	115.4	101.4	116.3	102.8	14.2
2nd qtr.	104.4	100.6	115.5	102.0	116.0	103.4	19.8
3rd qtr.	105.7	101.2	117.2	103.1	107.7	102.0	18.9
4th qtr.	107.1	101.1	114.5	103.9	116.1	102.8	15.2
June	104.4	100.2	112.6	101.0	111.0	104.9	21.5
July	105.4	101.3	116.5	103.0	109.4	101.8	20.8
August	105.8	100.3	118.5	102.0	107.0	103.6	16.5
September	105.9	101.9	116.7	104.0	107.0	102.6	19.4
October	106.1	101.2	115.4	103.0	112.0	102.0	20.5
November	108.1	100.8	114.7	104.0	117.0	104.0	16.4
December	107.0	101.3	113.5	105.0	119.6	102.0	9.7

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
4th qtr.	119.6	128.0	−171	+725	+1,684	101.6	15.54
1986							
1st qtr.	117.5	124.9	−1,227	+759	+1,599	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	+393	+772	102.6	19.30
3rd qtr.	122.6	128.5	−2,873	−620	+646	102.1	20.14
4th qtr.	130.5	143.4	−2,602	−802	+846	100.8	21.97
July	125.7	136.2	−659	+ 92	+220	103.4	19.08
August	115.9	130.9	−1,383	−632	+159	103.5	18.92
September	126.2	139.3	−831	− 80	+258	102.3	22.43
October	127.0	139.6	−715	−115	+226	101.5	21.90
November	132.8	146.7	−1,000	−400	+354	100.9	22.01
December	131.6	143.9	−887	−287	+266	100.1	21.93
1987							
January	125.0	131.2	−527	+ 73	+271	100.2	21.95
February							22.26

FINANCIAL—Money supply M0, M1 and sterling M3 (three months' *growth at annual rate*), bank *sterling* lending to private *sector*; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1985							
4th qtr.	2.9	17.0	12.9	+5,278	2,299	8,436	11.50
1986							
1st qtr.	4.1	21.4	19.3	+6,203	2,220	7,375	11.50
2nd qtr.	3.1	25.9	27.2	+6,450	1,433	7,729	10.00
3rd qtr.	5.9	30.7	15.5	+6,942	165	8,223	10.00
4th qtr.	7.6	15.6	14.1	+10,835	2,514	8,178	11.00
July	5.4	35.1	29.6	+3,314	387	2,665	10.00
August	5.7	22.0	8.2	+2,750	452	2,688	10.00
September	6.6	35.5	18.2	+878	−671	2,870	10.00
October	6.3	20.2	14.9	+3,520	1,951	2,759	11.00
November	6.4	29.5	19.3	+3,875	160	2,635	11.00
December	11.0	−1.1	8.5	+2,991	763	2,784	11.00
1987							
January	10.5	17.1	12.6	+1,745	456	2,604	11.00
February							11.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials *and fuels, wholesale prices of manufactured products (1980=100)*; retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
4th qtr.	176.9	132.6	141.4	378.1	337.4	1,771	79.8
1986							
1st qtr.	178.1	128.4	143.4	380.5	343.2	1,812	75.1
2nd qtr.	184.0	125.8	145.7	385.7	349.5	1,453	76.1
3rd qtr.	187.4	120.8	146.2	386.1	348.1	1,544	71.9
4th qtr.	191.0	127.4	147.4	391.0	348.3	1,637	68.2
July	187.9	119.8	146.0	384.7	347.4	1,469	74.0
August	187.2	120.3	146.3	385.9	348.6	1,461	71.4
September	186.8	122.4	146.7	387.8	348.3	1,544	70.4
October	188.2	124.2	147.0	388.4	347.6	1,609	67.8
November	191.2	127.5	147.4	391.7	347.5	1,617	68.5
December	193.4	130.4	147.9	393.0	349.8	1,657	68.4
1987							
January		131.3	148.8	394.5	354.0	1,604	68.3
February		129.5	149.2			1,586	69.0

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

UK NEWS

John Hunt reports on a low-key by-election in Cornwall

Tebbit tries to enliven poll

Mr Norman Tebbit: contrived drama

Mr David Steel: accused Mr Tebbit

THE LOW-KEY by-election campaign in Truro, Cornwall, where voting takes place today livened up yesterday when Mr Norman Tebbit, Conservative Party chairman, swept into town with guns blazing.

The hard man of the Conservative Party had come on a mission to "sort out" Mr David Steel, the Liberal leader, who had accused him of "lies, smears and innuendo."

Unfortunately we were denied this political version of the famous Western film "High Noon" where the sheriff played by Gary Cooper remained in town to make a lone stand against the visiting gunfighter. Mr Steel had prudently departed on the midnight train to the sanctuary of Westminster after addressing an enthusiastic Liberal-Social Democratic Party Alliance rally the previous night with Dr David Owen, the SDP leader.

It seemed to be a carefully contrived drama on the part of Mr Tebbit to inject some excitement into the campaign in order to give an eve-of-poll boost to the Tory vote.

The question remains: Will the Tories be able to reduce the Liberal majority, and if so, by how much? In the absence of opinion polls by any of the major polling organisations there are few firm indicators on which to base a judgement.

However, it seems the apparent failure of Labour to significantly increase its support has made the Tory task difficult. Conservative strategists had hoped that Labour would take a sizable slice of the Liberal vote and thus give the Tory candidate, Mr Nicholas St-Aubyn, a 31-year-old merchant banker, a chance to run at least neck-and-neck with the Liberals.

The Tories are now chagrined to find that Labour has *not taken* a meaningful slice of the Liberal vote.

In the grim council estates in the clay-mining areas around St Austell, it is an extraordinary experience for those accustomed to metropolitan elections to see street after street of houses displaying orange Liberal posters.

The by-election has been caused by the death in a car accident of Mr David Penhaligon, the highly popular MP who held the seat for the Liberals in the 1983 general election *with a majority of 10,480, 57.3 per* cent of the vote.

It is essential for the Liberals to do well today to show that the Alliance can safely hold on to existing seats, in addition to capturing new ones as the SDP did so decisively in the recent London Greenwich by-election.

It is also crucial for the Tories – who came second in Truro with 38.1 per cent of the vote in 1983 – to demonstrate that they can increase their vote and cut the Liberal majority in the run-up to the general election.

Labour, which came third in 1983 *with a remarkably poor 4.5 per cent* of the vote, desperately needs to *show that it can do better this time.*

All the signs are that the Liberal candidate, 24-year-old Mr Matthew Taylor, will win with a comfortable majority. The Tories seem to be in a reasonably respectable second place, and Labour, although it seems to have pushed up its share of the vote, appears to be lagging far behind in third place.

In these parts the traditional radical Liberal tradition is still very much alive and is seen by many working class voters as the natural alternative to the Tories. In addition the unusually strong personal following enjoyed by Mr Penhaligon seems to be holding firm although undoubtedly some of these votes will slip away to Labour and Tories.

It is disappointing for Labour, which has an extremely impressive candidate in Mr John King, an English teacher, who has fought a gallant campaign, strongly supported by Labour's national headquarters.

But even in this rural county Labour's presentational setbacks in *metropolitan areas in recent weeks* have made an impression on the electorate. A Labour Party worker canvassing the villages in the clay-mining area despondently admitted that he was constantly meeting complaints on the doorstep about three things – Labour's unilateralist nuclear defence policy, the so-called "looney left" and Labour's attitude to gays and lesbians. Although such problems are not apparent in this area, the message has sunk through via television and the press.

Many of the canny Cornish voters are playing their cards close to their chest. A pub in St Stephen prudently displayed Tory and Liberal posters side by side in the window.

This caution was borne out when Mr St Aubyn canvassed the streets of St Austell, where many people seemed undecided between Liberals and Conservatives.

The Conservatives and Liberals were being equally cagey yesterday. Mr Taylor predicted that he would hold on to the Liberal majority but added : "We are taking nothing for granted." Mr Tebbit said that "Win or lose," Mr St Aubyn would have a good platform on which to build a Conservative majority in the constituency at the general election.

Meanwhile, the verbal *shoot-out* continued. Mr Tebbit said he would be happy to have a confrontation with Mr Alan Beith, the Liberals deputy leader, who was in town, "but I would prefer to sort out Mr Steel."

It was suggested to him that "this childish nonsense" would be better settled by meeting the Liberal leader in the tea room of the House of Commons. However, judging by Mr Tebbit's belligerent mood, a more *suitable location would be the OK* Corral.

Opinion pollsters sharpen up their image

BY PETER RIDDELL, POLITICAL EDITOR

TWO PARALLEL initiatives have been launched to reassure the public about the standards of opinion polls after recent controversy about their accuracy and volatility.

The five leading British pollsters, Gallup, Harris Research, Marplan, Mori and NOP, have formed the Association of Professional Opinion Polling Organisations.

Formation of the group is an extension of informal discussions going back nearly 20 years and is in anticipation of the forthcoming general election and in recognition of the increased level of interest in polls.

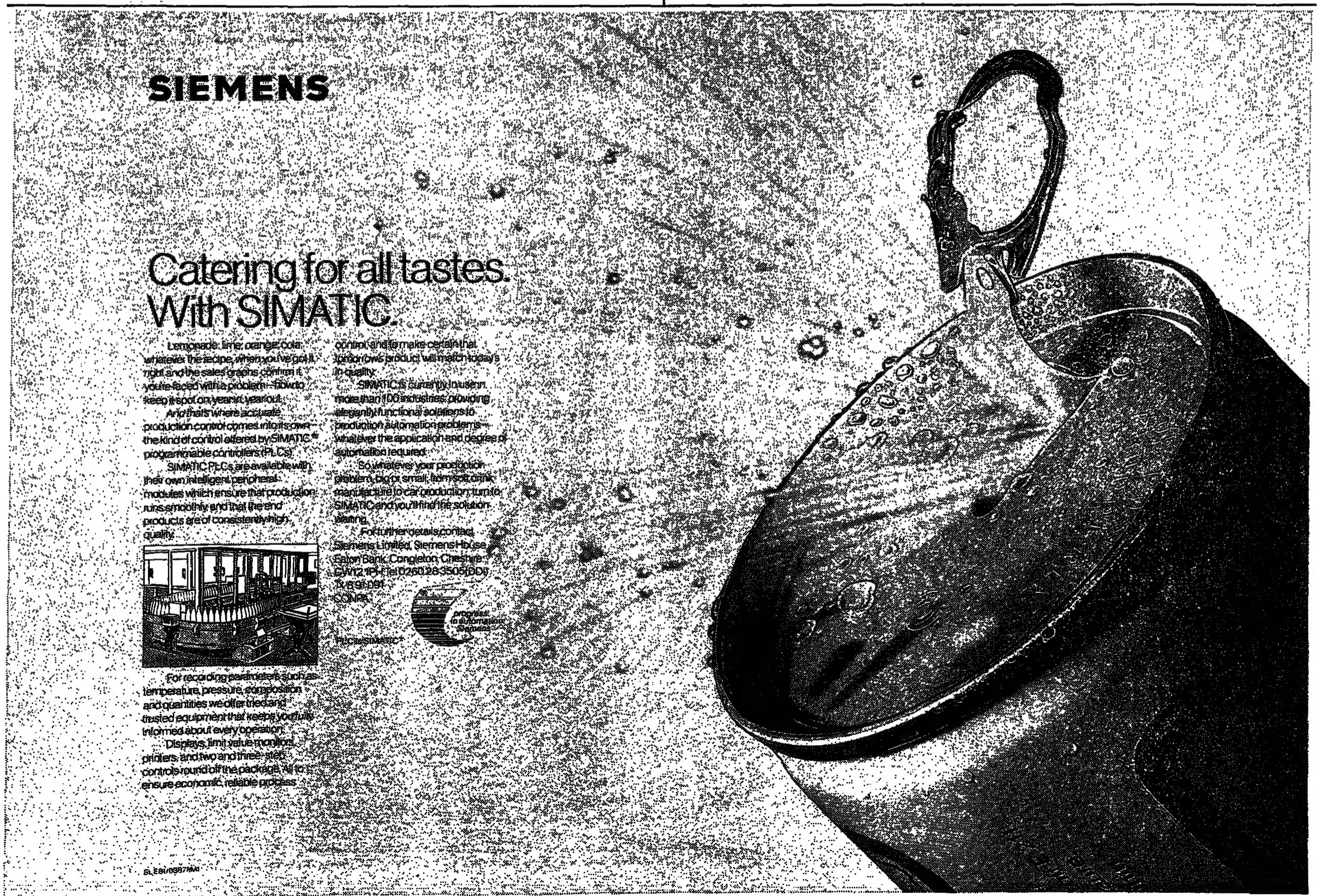
The association says that all the members have supported a 1972 code of practice. This lays down requirements about the disclosure of details and the timing and basis of the sample.

The pollsters are also establishing a data bank of their published surveys both between and during the election period at the computer bureau Quantime. This organisation will also be making available on line, on a modest fee basis, detailed access to demographic and geographic analyses of voting intention data.

Member of the new group also support the steps being taken by the Market Research Society (MRS) in establishing an advisory group on polls and have pledged their co-operation.

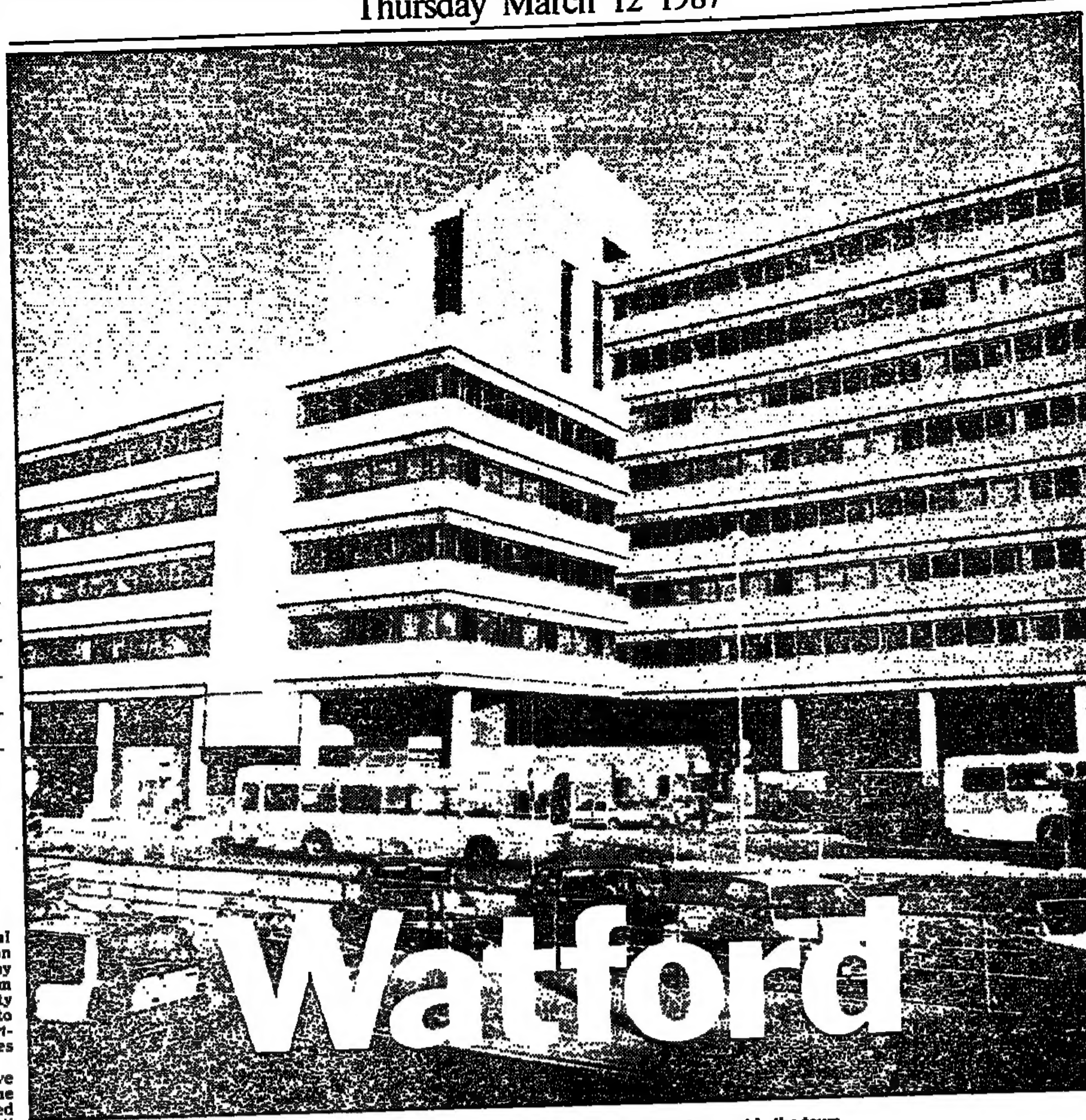
In this separate initiative an advisory group of senior researchers has been recruited to provide professional guidance for the service which is intended to help the public and journalists on poll-related issues.

The group's members include Mr Len England, a former chairman of Mass-Observation, Mr John Samuels, vice-chairman of the MRS, and Mr Tony Cowling, managing director of Taylor Nelson. Dr David Butler of Nuffield College, Oxford, has agreed to assist the group and help to ensure academic participation.



FINANCIAL TIMES SURVEY

Ease of communications, by road and rail, have played an important part in Watford's growth. Many large companies have sited operations there because of its convenience. Nevertheless the town has managed to retain its identity despite the pull of London and is proving successful in attracting new companies, particularly in the high-tech field, as traditional industries decline. Alastair Guild reports.



The redevelopment of Watford Junction (above) has been a major boost to office development in the town

The fast lane brings benefits

WATFORD, SOMETIMES the butt of musical hall humour, is less readily recognised perhaps as the commercial and industrial hub of West Hertfordshire, some say of the county as a whole.

The quip that civilisation ends once north of the town presumes that Watford is itself typical of the amorphous south east, its identity submerged with London. But it is a distinct entity, encouraging loyalty among its residents, surrounded by green belt, and with an employment mix increasingly rare in a region devoted to sunrise industries.

There are ways, nevertheless, in which its economy mirrors trends elsewhere in the UK. Although traditional manufacturing is still of considerable importance, the service and high technology sectors are experiencing the most rapid growth.

Communications, playing such an important part in the area's present development, were also a significant factor in Watford's transformation in the early 1800s from a quiet market town into a bustling commercial centre. Watford Junction station was opened in 1838, served by the new London to Birmingham line. This sudden accessibility encouraged "commuters" to seek the fresher air of Hertfordshire and new industries also moved into the town.

Today's new industries have also been quick to see the advantages of being located close to unrivalled road, rail and air links, with the town even having its own airfield licensed for general aviation at Leavesden. Watford's proximity, in particular, to the recently completed M25, and to the M1, has already brought in new businesses, with pressure for expansion likely to increase.

The relative decline in traditional manufacturing, most marked in printing, once Watford's mainstay, has, it seems, been more than matched by the growth in the service sector. National Westminster International, for example, has located a regional banking centre in the town, while large insurance companies, such as Sun Alliance, and venture capital organisation, Investors in Industry, have also set up major regional centres there. One firm of solicitors, which moved out of the City in 1981 reports that it has since doubled its staff.

Office employment in the town received a boost with the redevelopment of Watford Junction, completed in 1985. Primary office floorspace in the town is expected to be 70,000 sq m by 1996.

The town has also recognised the need to extend the range of retail outlets if it is to maintain its position as a sub regional shopping centre with major superstore and hypermarket developments already under way or planned, though the council wants to curb some schemes on Watford's fringes where they could detract from existing retail outlets in the town centre.

The impact of high technology businesses on local employment has been significant. Case, for example, which set up in Hertfordshire in the early 1970s, making computer networking products, has since grown to employ some 1,000, while a wide range of smaller computer oriented firms is also evident. It is expected that these will act as a magnet for attracting further new firms into the town.

However, such companies also have specialist requirements for premises and manpower, requirements which are only now being met. It is recognised that if the shortage of suitable premises and a skilled workforce persists, potential new firms may decide to locate elsewhere.

Facilities for high technology business are being created in the south west corner of the town, for example. Case already occupies a large unit of industrial, office and warehouse space on the Watford Business Park, while close to Case is the recently developed Watford Enterprise Centre, a 1,676 sq m development split into 21 units of varying sizes for light industrial storage and distribution. There is also the Centre 4 development to the south of the centre, 2,300 sq m of industrial and warehousing floorspace, 25 per cent ancillary offices.

The Croxley Centre, to the west of the business park, is a high technology development by Standard Life, providing, in the first phase, 7,252 sq m of industrial and warehousing units with ancillary office accommodation.

Completion of the M25 is seen as being a particular avenue for improving accessibility to urban areas and presents new opportunities for redevelopment in some of the older industrial sites in Watford. One example is a development of high-tech units in the town centre, with a road being built to connect the site with a new M1 link road, costing £19m, while a west Watford relief road, costed at £11m, is also included in Hertfordshire County Council's three-year programme.

The county and borough councils already keep a commercial property register, while the local council monitors vacant and redevelopment sites in the town. Consideration is now being given to extending this service with computerisation, providing more comprehensive and up-to-date information on sites and buildings available for development.

Inroads are also being made into the skills shortage. The unemployment total, at 7 per cent the second highest in the county, has been attributed largely to the lack of training opportunities for school-leavers and those made redundant from more traditional industries.

Long-term unemployment in Watford is especially worrying with 30 per cent of the total unemployed out of work for over a year. Jobs in the new, high technology industries tend to be filled by commuters from outside the town. The commuting level is high and increasing, while there is concern that economic expansion in the west of the county should not fuel housing demand.

The local chamber of commerce has just arranged with the Manpower Services Commission to carry out a joint study on the extent of the skills mismatch, and to identify ways of combatting it.

A Job Club has been set up in Watford to help the long-term unemployed while an Open Access Centre is designed to help match training with the changing requirements of local industry. "The exciting feature of the centre is that resources are available to enable discussion with client companies about their training needs, and to design a specific training programme to meet them," says Mr Robin Hill, the centre's project manager.

Set up two years ago with MSC funding, the centre was contracted to take on 1,500. When MSC funding ceased in December, the centre had met the target, and is now seeking alternative ways of financing.

Provision of small units, it is thought, could assist some of those without the skills needed by high technology firms to set up in business. The Watford Enterprise Agency (Wenta), has launched a project to provide small offices and workshops for new and existing small businesses.

The scheme provides some 40 workshop units ranging between 160 and 1,000 sq ft and 16 office units between 100 and 500 sq ft. These units, now fully let, are a conversion from an existing factory site, financed by loans from National Westminster Bank and the Co-operative Bank, with rents charged at commercial rates to service the loans. Wenta also provides free counselling and advisory services to small businessmen.

The borough council is seeking to identify sites for small-scale non-conforming users such as vehicle repairers, scrap metal dealers, small haulage operators and plant hire companies.

If Watford has not marketed itself in the past as aggressively as other towns of its size, it is, believes Mr Christopher Green, president and chairman of Watford Chamber of Commerce, "because it has not had to. Its advantages as a location for business speak for themselves. But there is no room for complacency. Watford, we hope, will have the last laugh."

Basic information

Population: 76,000
Development status: non-assisted

Contacts	
(Tel. code 0923 except where stated)	
Watford Borough Council	26400
Herts County Council (0992)	555555
Watford Chamber of Commerce	34469
Watford Enterprise Agency	47373
Watford—Cassio College of FE	40311
Hatfield Polytechnic (07072)	79000

Airports
Heathrow 15 miles, Luton 17 miles

National Research Centres:
Building Research Establishment

Source: Watford Borough Council

Watford Enterprise Agency

More sponsorships needed

RECENT SPECULATION surrounding the future of Scammells in Watford may have given the town a higher-than-usual public profile. Generally, though, its relatively low unemployment rate plus the absence of any household names with headquarters in the twon, has kept Watford out of the attention given to industrial blackspots.

The difficulties facing those wanting to start their own business, or running an existing business are those encountered, none the less, by most small businessmen throughout the country, in particular the shortage of suitable small units, and the need for advice on raising capital and marketing.

The Watford Enterprise Agency, established four years ago in an initiative by Mr Peter Burton, managing director of the locally-based international company, Case Communications, has made considerable progress. The agency would welcome large blocks of sponsorship but has had little success so far. Companies tend to put resources into areas of high unemployment. With few nationally known businesses based in the town it has also failed to find secondees, relied on by many agencies to staff their advisory service.

But the WEA is now on a firm footing. Last year, Prince Charles opened a centre of 56 small units, a conversion of a 30,000 sq ft disused factory. The agency persuaded the National Westminster and Co-op Banks to provide finance, with the agency acquiring the freehold with the help of bank borrowing. The WEA expects the property investment largely to meet the costs of advisory services. It already pays for the salary of the agency's managing director, Mr Ken Hards.

"Watford will merrily continue to provide the same sort of service it now offers for years to come in the safe knowledge that it does not rely so heavily as other agencies on sponsorship from business," says Mr Hards.

The agency, which is sponsored, nevertheless, by some 25 companies and local authorities, is already advising some 200 people a year. Though the main difficulty faced in the early stages was the shortage of suitable premises, the management of capital requirements, the preparation of business plans and cash flow forecasts for raising finance, and marketing are now the most common issues raised.

The companies occupying the units in the centre, which range in size from 100 sq ft to 1,000 sq ft, employ a total of 130, and include commercial photographers, graphic art designers, carpenters, metal workers, garment makers, a builder of rally cars, several associated with the printing industry with its strong presence in the town, and a research chemist.

The majority have been started by those who left secure employment. "We encourage those, because it leaves a vacancy for somebody else, though there are also a number who have used redundancy money to set up their own business, and a few who were previously unemployed," says Mr Hards.

Since the centre opened, nine firms have left, three moving into larger premises, three consolidating the business at home, and three decided not to carry on.

Mr Hards is now investigating with other agencies in the area the possibilities of doing something to provide venture capital for small businesses, recognising that the costs for the larger venture capital funds of monitoring small tranches of money outweigh the commercial reward.

The agency is also keen to get another scheme of small units going, though in an area with such high land prices, it would have to be on a site with redundant buildings which it could adapt.

In the next few weeks, Mr Hards will be meeting the personnel manager of Scammells to discuss ways in which people might start their own business, "though personally I hope they are working hard on a management buyout."

And, while the agency is still very much a one man band, Mr Hards hopes to broaden and develop the services it provides over the next couple of years.

Prince Charles on a recent visit to the small workshop unit of Innovation Products at the Watford Enterprise Agency business centre

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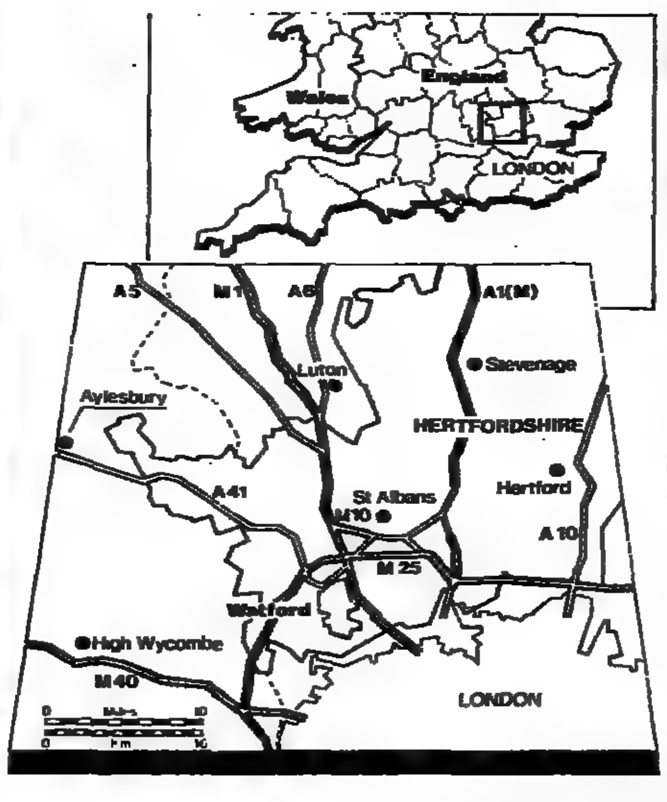
The first model of a new generation of envelope machines at the Apsley, Hertfordshire, plant of DRG Envelopes was recently commissioned. Pressing the button is Mr Mogor Woolley, chief executive of the DRG Group with Dr Doderer-Winkler of Winkler & Dunnebier, manufacturers of the plant.



Watford High Street at the junction with Market Street

Industry

Into the high-tech era

THE RANGE of industry still to be found in Watford and the surrounding area is unusual for most towns of its size in the south east. More traditional types of manufacturing, though they have been in decline, are well represented but the fastest expansion has been in high technology businesses.

DRG, with five plants in west Hertfordshire, is an example of the former, employing some 3,000 in the stationery business group. The group, making paper and board, Sellotape, stationery, envelopes and Kwikseal, has emerged from a period of rationalisation in the early-1980s, and is soon to announce a £15m investment for the modernisation of its factory making stationery and envelopes.

Kwikseal is already benefiting from a £4m investment in new plant made last year. Business has been increasing by over 20 per cent annually, with annual sales now standing at £200m.

"We are in a particular expansive mood," says Mr Ian Lawrie, main board director responsibe for stationery business within DRG. The company, which was formed in 1966 by the merger of a business founded by John Dickinson in West Herts in 1809, and Robinsons Primary Packaging, now has subsidiaries in North America, Europe and Australia and New Zealand, reporting total pre-tax profits of £31m in 1985. "This investment will give us one of the world's most advanced and integrated stationery plants, and secure jobs and markets for the future."

The group is, at the same time, moving away from basic paper commodity making, says Mr Lawrie, and more towards value added products. One example is a recent order from Japan for printed circuit tape, worth £150,000.

Watford is about to lose its manufacturing link with the motor industry as the result of the decision to close the Scammell Motors plant. The decision was taken by the state-owned Rover Group and is part of the rationalisation programme after the merger with the Dutch motor group, Daf.

Scammell Motors was itself the result of a merger between Scammell Lorries and British Leyland in the mid-1950s and the closure will mean the loss of 650 jobs on its 18-acre site in Watford. As recently as 1983 about £2.5m was invested in a new assembly hall and paint facility, an investment funded by the sale of eight acres of land owned by BL in the town. Production of the special heavy duty lorries of up to 300 tonnes gross weight will be transferred to Leyland.

Though not involved in manufacture in Watford, Iveco Ford Truck has establised its UK head office in a seven-storey block in Watford Station. The company, formed last year when Iveco UK combined its commercial vehicle interests in the UK with Ford, chose the town because of its proximity to the motorway network and airports, and the manufacturing plant at Langley, where the Ford Cargo is produced.

Helicopter engines are designed, developed, manufactured and sold by Rolls Royce from Leavesden Airport, where it is about to invest over £1m on updating and integrating production and development test beds, at present based at British Aerospace's complex at Hatfield.

The newest engine, the RTM322, is being produced in partnership with Turbomeca. Rolls- Royce employs 2,250 at the 285- acre site, two-thirds of them manual workers. It is taking on more apprentice staff this September, some of them attending courses at Watford Technical College, to replace engineers lost through natural wastage.

The company generally finds no shortage of suitable apprentices locally, but has difficulty in recruiting experienced graduate engineers and qualified computer staff.

The most significant recent redundancies have been in Watford's printing industry, once its largest employer. But it still has a major presence. The plant operated by Odhams Sun Printers, owned by BPCC and employing some 700, prints magazines such as Womans Own and TV Times.

A second plant, owned by the British Newspaper Printing Corporation, a subsidiary of BPCC, and contract printing newspapers, is to get a new line of printing presses. A recent rumour in the local press that the Daily Mirror is to be printed in the town was not substantiated by BPCC.

It is with companies involved in advanced technology that Watford is placing most hope for replacing jobs lost in more traditional types of manufacturing. A number of such companies are already well established, Marconi Defence Systems and Racal Acoustics, for example. Racal employs some 200 in the manufacture of electro acoustic and avionic equipment, 80 of the workforce being semi-skilled. It took on a further 15 employees last year.

Watford is now seeking to attract more high technology companies, including those involved with computers. They are tending to gravitate towards the south-west corner of the town with its business park and Croxley Centre, a high technology / industrial / warehouse development. An application to redevelop another area of the town for high technology units was recently passed. This site will have access onto the road linking into Junction 5 of the M1.

Case already occupies part of the business park, taking some 12,000 sq m of industrial and office space, and a 2,764 sq m warehouse with ancillary offices. It recently took delivery of a further 5,522 sq m two-storey complex.

The company, whose products include message handling systems for computer networks, was started from scratch in 1970, and now has an annual turnover of £60m.

Watford was chosen partly because the two co-founders lived in Hertfordshire, but with many of the products it used coming from the US, proximity to Heathrow and the national road network were also considerations. Most of the £20m worth of materials it buys each year are found elswhere in the UK and overseas.

They are mostly high value added so the absence of, say, a plant manufacturing chips or printed circuit boards in the area was not a consideration. The company's emphasis is on customising its products.

By 1979, Case had grown steadily to employ some 500, but the big surge came in the early 1980s, with the increased popularity of its networking product, DCX. In 1985, the company employed 1,200 though the workforce has since fallen to 1,000.

"Over the last few years, we've qualified to be considered as part of the Silicon Valley," says Mr Tony Richards, the group's marketing and communications manager. "We have had staff poached, but we have also attracted quite a lot in from other companies. Software engineers are the scarcest resource.

"Getting round the recruitment problem is a perennial question for us." It could be that any future expansion of research and development will be in the form of small offshoots elsewhere, for example the Thames Valley, with a potentially larger pool of suitable recruits.

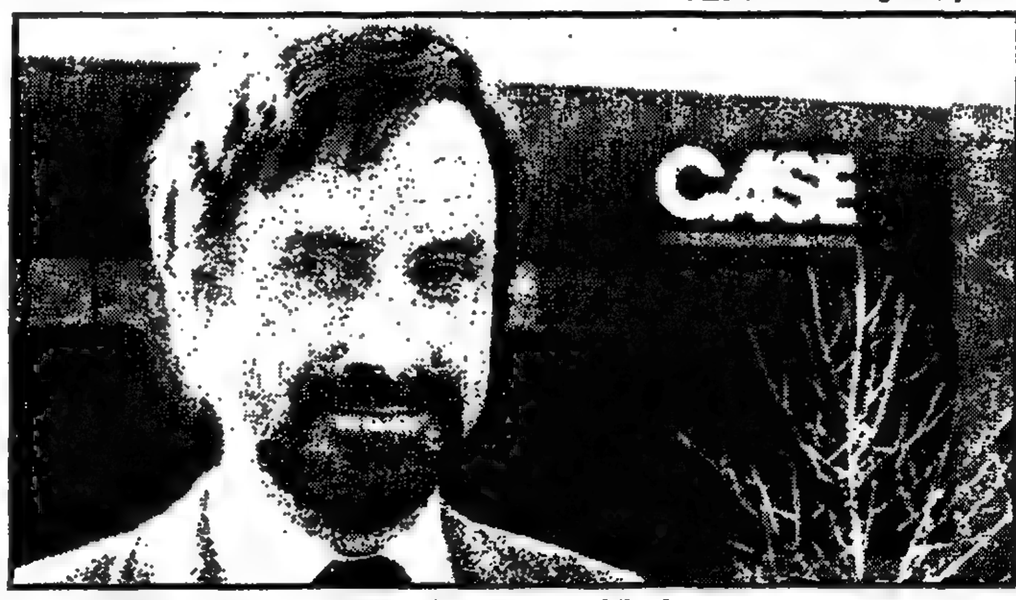
The company also faces difficulties in promoting people from within, says Mr Richards. "If we want to make a northern regional sales manager into a national sales manager, for example, it is difficult to compensate fully for the higher cost of living in this area."

Many of its staff commute from some distance, though journey times have been cut with the completion of the M25, while over half its employees have company cars.

Dowty International Defence Systems, though smaller than CASE, is also having some problems with recruitment. DIDS, part of the £500m turnover Dowty Defence and Air Systems, is a systems house employing some 40 staff, seeking out problems that defence organisations may have with their systems, and suggesting solutions that may result in a new product from another company within the Dowty Group.

"Watford was chosen back in the early 1980s because the electronics company, based in west London ran out of space and was having difficulty recruiting engineers, partly because of house prices," says Mr Peter Jackson, of DIDS. "We found that people were prepared to travel to Watford from as far away as Milton Keynes, but wouldn't commute from there to west London."

Five years later, staff still travel from outside the area, but recruitment of additional staff is again becoming a problem, with the M25 pushing up local houseprices. Dowty faces competition, at the same time, from the many other companies in advanced technology, such as GEC and Lucas Aerospace.



Mr Tony Richards, marketing communications manager of the Case group

Business Digest

Headquarters, Companies*	Sector	Turnover £m
Cape Industries	Building	137
Sanyo Marubeni (UK)	Consumer electronics	113
Macmillan Smurfit	Packaging	112
Godfrey Davis	Motor Dealers/Property	109
Senior Engineering	Engineering	104
Case	Telecom/IT equipment	95
Laing Properties	Property	63
British Rayophane	Film products	59
SPD Group	Transport	59
Ault & Wiborg	Printing inks	33
Wander	Food	33
John Blundell	Retailing	29
Alenco	Engineering	28

*Companies with registered offices in Watford

Other major employers include:
Dowty Electronics, Fishburn Printing Inks, Marconi Underwater Systems, Mothercare UK, Odhams-Sun Printers (BPCC), Racal Acoustics, Rolls-Royce.

New company formations

pre 1982	1982	1983	1984	1985	1986
2,281	239	275	334	357	353

Companies by size of turnover

Less than £1m	£1m-£4m	£5m-£9m	£10m-£24m	£25m-£49m	£50m-£99m	Over £100m
197	88	24	30	7	5	5

Source: Jordan Information Services, Jordan House, Brunswick Place, London N1 6EE; Watford Borough Council.

Retailing

The majors move in

PRESSURE FOR large-scale retail developments around London, mounting since the completion of the M25, has not passed Watford by. The town, tightly constrained by the metropolitan green belt, has succeeded in attracting a number of major shopping complexes to its centre.

Without them, Watford's town centre and smaller shopping areas were in danger of losing out. Brent Cross shopping centre and Milton Keynes town centre, both completed in the 1970s, with good access along the M1, have already provided some competition. Bricket Wood, one of four free-standing shopping centres now proposed around the M25 is within 10 minutes drive and is expected to provide 753,500 sq ft of retail floorspace.

But with the completion of the M25, Watford has itself become an attractive proposition for retail developers. At least two million people are within a 30 minute drive, some 200,000 more than in 1976.

The new developments will build on progress made in the last three years in attracting major retail developments. In March 1985, Sainsbury opened its new superstore on the north western end of the town centre, with a net floor area of 29,000 sq ft, the majority of it devoted to the sale of food and other non-durable household goods. Some 400 car parking spaces are provided at basement and ground floor levels.

A B&Q retail warehouse opened in August 1984, with a net floor area of 27,300 sq ft for the sale of DIY goods, plus a garden centre of 10,000 sq ft and 225 parking spaces. Homebase, another DIY retail warehouse opened for trading in 1983, with 30,000 sq ft net retail floorspace for the sale of DIY goods and a 1,500 sq ft nursery and garden centre.

Work is due to start this year on a three storey John Lewis Partnership department store of 113,000 sq ft in the town centre. The development will include unit shops and other units fronting a two level mall, providing extensions to existing stores on the High Street with access to enclosed pedestrian malls. It will enhance the town's role as a sub regional shopping centre by adding to its range of comparison goods shopping.

The need in south west Hertfordshire for a hypermarket, at present absent, will be met by an Asda development providing 83,000 sq ft of retail floor space on the site of the former Odhams printing works, some 1½ miles north of the town centre. A 45,000 sq ft MFI/Allied store is also included in the proposals.

Planning permission was granted last year for a development by Tesco of a retail superstore at the southern end of the town centre which currently lacks good convenience facilities. The store, which is expected to open for trading later this year, will include a service area, surface car park, petrol filling station and landscaping.

Permission was given for the mainly single-storey building of 46,849 sq ft net floor area on condition that a minimum of 22,500 sq ft is devoted to the sale of food and other non-durable household goods.

Retail warehousing, which could not be readily accommodated in the town centre, is to be located close by on the Eastern Gas Works site. Outline planning permission was granted last year for retail warehouse units of a maximum of 86,000 sq ft floor space, with provision for DIY and home improvements, furniture retailing or carpets.

Any further large-scale retail developments, whether inside or just outside the borough, are likely to be resisted by the local council. It has expressed concern at the likely impact on shopping facilities within Watford of the Bricket Wood development, and the proposal for a superstore and retail warehouse of 305,000 sq ft at a site on the A41 some four miles to the south east of the town.

Over-provision of certain types of shopping could, believes the council, have a detrimental effect on existing outlets, while 57,000 sq m of the county council's provision of 60,000 sq m for Watford for 1981-96 is already accounted for.

There are sites within or adjacent to the centre considered suitable for future retail warehouse development, provided that they are restricted to the types of goods not normally found in the town centre. But no additional sites have been identified for superstores or hypermarkets, with the existing Sainsbury superstore and the current proposals for an Asda and Tesco store considered to meet demand.

Corporate identity in the spotlight

Feona McEwan compiles an image maker's who's who

CORPORATE identity is something every company possesses—by accident or design. In the same way that individual human bodies are judged to a large extent by appearances, behaviour and attitudes, so the body corporate is evaluated by its visual parts: its staff, its products, its services, its premises, its livery. They are all clues to the company's personality, either the reality or what it is striving to be.

Yet the idea of stage-managing corporate identities, and taking them seriously, is still relatively novel in the UK. There appears, nonetheless, to be a tendency among companies to shape their identities by design—judging by the crowd of corporate identity design specialists and other consultancies (including PR and advertising one-stop-shops) expanding into the area.

Last year, a survey of major British companies revealed that more than one half put corporate image (though this is only part identity) top of their list of "major issues of growing importance." One group showing keen interest in corporate identity is financial services. Companies in this sector are being forced, post Big Bang, to consider their positions as never before.

Often a crisis will precipitate a company's preoccupation with its corporate identity—a watershed in a company career like a merger, acquisition, hostile takeover bid, internal reorganisation and so on.

Interpretations of corporate identity differ wildly. At one end there are those which do little more than revamp the corporate logo and update letterheads. This is the logo-jobber approach, according to more heavyweight practitioners, who argue that corporate identity penetrates a company to its core.

Wally Olins, chairman of Wolff Olins and one of the most articulate on the subject, defines it as a "mix of style and structure, separate considerations but related. Thus," he goes on, "it affects what you do (product/services), where you do it (environment) and how you explain what you do (communications)."

Visiting cards to personnel training, marketing stance at exhibition stands, staff uniform to annual report and store design to the way the telephone is answered are all key factors in an identity programme. Or as Alan Brew, of Landor, puts it, corporate identity "is an expression of business purpose."

To achieve the desired identity, a consultant must first grasp a company's strategic positioning, its directions and aspirations. Only this way, say the purists, is it possible to reach an identity that will influence the bottom line and avoid costly mistakes. A well-positioned identity "flags" a company for decades.

Time, then, to spotlight some of the leading UK specialists in the sector, focusing on design consultancies, traditionally the guardians of corporate identity. For the purpose of this exercise, only 10 names could be selected, chosen on track record, experience and reputation specifically in corporate identity. The lost is by no means definitive, indeed it is notable by its omissions, among them The Partners; Lambton Place; Banks and Miles; Newell and Sorrell; and Sedley Place. In common with previous similar tables on this page (on sales promotion, financial PR and advertising agencies) the table is compiled with information obtained directly from senior executives.

OWNERSHIP	CONSULTANCY (alphabetically with start-up date)	TOTAL UK EMPLOYEES	EMPLOYEES IN CORPORATE IDENTITY	TOTAL FEE INCOME 1986	SIX LEADING CLIENTS (alphabetically)	HOW THEY SEE THEMSELVES	HOW THEIR COMPETITORS SEE THEM
UK public (part of Addison Consultancy Group)	Allied International Designers 1960s	120	30	about £17m (incl packaging, product and interior design)	Jaguar, Royal Bank of Scotland, Standard Chartered Bank, Tootal, TSB, United Transport	A leading exponent of international corporate identity projects with particular expertise in financial services.	Early pioneers who took corporate identity into boardroom. Lost profile. Now big, shaken and depleted after takeover. New management makes it one to watch.
UK public	Fitch & Co 1972	290	about 27	1985, £9.2m (incl retail/packaging/product)	Ahlstrom (Finland), Coats Viyella, Federal Express/Lex Wilkinson, Interflora, Liberal Party, Manpower Services Commission	Our skills are in the area of market repositioning following changes of activities such as mergers and acquisitions	Top reputation made on retail front. After internal reorganisation has yet to make mark in this field. Financially driven, known as "Pitch & Co."
UK private	Henrion Ludlow & Schmidt 1950s	20	15	about £1.2m	British Midland, Coopers & Lybrand, Hussel Holdings (West Germany), London Underground, Mitsubishi Motors (Japan)	One of the longest established groups in Europe. Truly international with over 60 per cent business overseas. Experience of wide variety of businesses	Heavily influenced by European design standards, for example, Bauhaus. Tendency to analyse problems out of existence. Technically very exact.
US parent	Landor Associates 1939	46	17	declined to give	Barclays, British Airways, Dunhill, Elf, Mercedes Benz, National Freight Consortium	We worry about our clients, not our competitors, not ourselves	Distinctly American—big, glossy, exciting. Aggressive sales machine. Impressive track record, known for airlines. A tough competitor in UK if it gets its act together.
UK private	Lloyd Northover 1975	40	20	about £1.25m (incl packaging/literature/interior design)	BAA, Barclays de Zoete Wedd, Courtaulds, Foreign and Colonial Investment Group, Rover Group, Schreiber	Leaders of second generation corporate identity consultancies. Creative-led, but practical with good understanding of business and emphasis on early strategic thinking	Respectable, reliable reputation. Top of second division. Unsure whether it's a big relevant design group or small creative hotshop. Good graphics. Commercially driven.
UK private	Lock Pettersen 1966	25	6	about £1m (inc product literature/marketing support)	Arabian Bulk Trade, BT Action for Disabled, Framlington Framstad (Scandinavia), Lesaffre (France)	Ideas-based company. Unusually "benefited-oriented" (that is focus on what client company offers its audience) and work from there	Small private company mentality. Brochure specialists, not major player. Coming along nicely.
UK private	Minale, Tattersfield 1964	40	15	£1.75m (incl packaging/interior/environmental design)	Central Television, Empire Stores, Fonti Levissima (Italy), Heal's, Thames Television	Selling success with design	One of London's brightest practices. Consistent, design-oriented, temperamental. Light on strategic thinking, execution excellent. Tendency towards smaller clients
UK private	Negus & Negus 1952 (originally Negus & Sharland)	12	12	about £600,000 (incl annual reports)	British Airways, English Heritage, Northern Dairies, Science Museum, Tower of London, Vickers	Small, specialised company known to deliver goods on time. Only interested in long-lasting not short-term ephemeral solutions. No one style, interpreters of client company's needs	Established name. Experienced, thorough, respected. Very 1960s approach. Good solid work. Low profile these days.
UK founded, private	Pentagram Design 1972	about 65	30	about £3.5m (incl interior architecture/industrial/graphics)	Commercial Bank of Kuwait, Faber and Faber, Lucas Industries, Mandarin Oriental Hotel Group, Reuters, Samuel Webster & Son	Strongly design-driven. Believe in that process. No other resources in-house. Emphasis on quality of work	Rolls-Royce of design business. Formidable reputation in quality of work. The classic designers' design group. Light on consultancy (which buys in), outstanding graphics. Mystique about them.
UK private	Wolff Olins 1965	over 100	80	£3.7m (incl communications)	Bovis, ICI, P&O, Prudential, Renault, VAG (Volkswagen/Audi)	The leading corporate identity company in the world	Undisputed market leader, but capable of idiosyncratic solutions which may not stand test of time. Olins a corporate revolutionary, but creativity diluted since Michael Wolff's departure.

Posting awareness around Scandinavia

Sara Webb on Nokia's corporate campaign

IN SWEDEN and Norway, the man in the street has been treated to a peculiarly Scandinavian version of the game Trivial Pursuits in which all the questions plastered across billboards have the same answer—Nokia.

The game is part of an intensive "teaser" advertising campaign by Nokia, Finland's largest privately-owned industrial group, and is aimed at increasing the public's awareness of its different lines of business while at the same time launching a new corporate logo.

Nokia took the unprecedented step of hiring between 85-95 per cent of the billboards and poster columns in Sweden and Norway for two weeks at a cost of SKr 8m ($1.23m) in what it claims is the largest outdoor campaign in the region.

In the first week of the campaign, the posters each carried a question, such as: "Who makes the most toilet rolls in Ireland?"

"Mobira Cityman is our pocket telephone. What is the group called?"

"Optical fibres are another string to our bow. What's our name?"

"Our chips aren't for eating. Who are we?"

"We made galoshes in 1898. Who are we?"

"Our winter tyres are called Hakkapeliitta. What are we called?"

"You can dance a tango on our parquet flooring. What's the group called?"

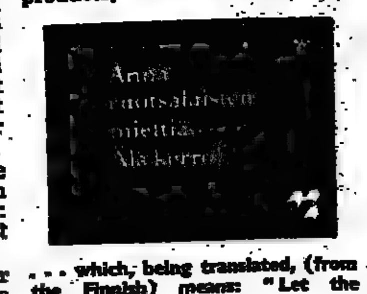
(There was also a joke poster in Finnish—an incomprehensible language for anyone except a Finn—which said "let the Swedes think. Don't tell them anything.")

In the second week, the same spaces were simply filled with the name Nokia. The group estimates that in the course of the campaign, somebody living, for example, in Stockholm would have passed (if not read) the Nokia advertisements 150 times.

The campaign is unusual in that it is a corporate entity addressing the public, and in this case, literally the man in the street. In Sweden, there is no advertising on the state-controlled television and radio, and the audience for cable television (where advertising is allowed) is still comparatively small, so Nokia decided to go for a short and intense billboard campaign.

Nokia found from its research that while it is well-known in Finland, this was not the case with its Nordic neighbours. "Industrial customers know us from advertising in the trade press, but while the public knows most of our brand names—for example, Mobira Mobile telephones, Salora and Luxor televisions, and Hakkapeliitta tyres—they have no idea of their connection with the Nokia group," according to Matti Saarinen, Nokia's information director.

"We want to be known by the public, so that we can sell our products, launch new operations,



. . . which, being translated, (from the Finnish) means: "Let the Swedes think. Don't tell them anything"

recruit local personnel, and increase awareness of our acquisitions." Scandinavia is Nokia's most important market with sales of about FM 3bn (£43m) in Sweden and Norway and the group was disconcerted to find that so few of its Nordic neighbours knew about its products.

The company therefore wanted a campaign which would tell the public about the diversity of its business interests.

"Most corporate advertising is very non-committal in the trade Press and newspapers—it uses pictures and text which could go with just about anything," says Ulf Lundgren, account executive at Observera advertising agency which handled the campaign. He thought that a campaign which managed to convey Nokia's key business areas in an amusing way would be the most effective.

While the most important audience consists of the decision-makers—corporate finance directors and bank managers, for example—Nokia decided it was important to reach employees and other members of the public as well, and by monitoring public response over the next few weeks, Nokia hopes to show that its campaign was not so trivial after all.

THE ARTS

London Galleries/William Packer

Two sculptors' time and place

Architecture, according to the dictum of Le Corbusier now writ large and high on the wall of the Hayward Gallery, "is the skilful, correct and magnificent play of volumes assembled *in light.*" It sounds well enough, with that fine, plausible and *familiar* ring to it of the modern architect entirely sure of himself, but it is true only up to a point. Is it successful, great or *indeed all* architecture that he means, or does he say that only the overtly ambitious and magnificent is architecture? Leave aside the magnificent, which is gratuitous, what he does give us is a serviceable rule of thumb for architecture in *its* sculptural aspect, that serves just as well for sculpture itself. But, again, only up to a point.

The test is *immediately* to hand, though doubtless fortuitously, for concurrent with the Corbusier exhibition itself (until June 7), the upper galleries of the Hayward have been given over to a spare selection of the recent work of the young English sculptor, Tony Cragg. Young is merely comparative: Cragg is now in his late thirties and has been a figure of some international sculptural consequence for at least the past ten years. With such artists as Woodrow, Deacon and Kapoor, he is a leading member of that group of New British Sculptors —in its turn of the cynosure of international critical attention (for the British, we know, are celebrated sculptors)—which is now being pushed up the ladder into seniority by the next lot. What Cragg does in his work, albeit inadvertantly, is to expose the Corbusier dictum for the doubtful truism it is and to show us neatly that sculpture can be many things, whether for good or bad, beyond mere formal play with volume. We need light only to see them by.

In common with several of *his close contemporaries*, Cragg is not a maker of art in the conventional creative and manipulative sense of producing from within the unique and inalienable object. He uses neither modelling nor carving, nor even welding and assembling as his principal, but with determining and informing activity and one thing leading insensibly to another, his work grows by intuition and response. He finds his material not in the natural world but in the product and fall-out of our technological and sophisticated society which he puts together, often in a way more pictorial than sculptural, to make his elegant and ironical point. There is a quality to his work of the dandy and the aesthete, which may not always work to *his advantage.* "When attitudes become form" was, many years ago, the neat and effective title to an exhibition of conceptual sculpture and all to the good. But a formal device, even deployed with wit and deftness, by endless and facile exploitation may soon be reduced to the mere striking of an attitude.

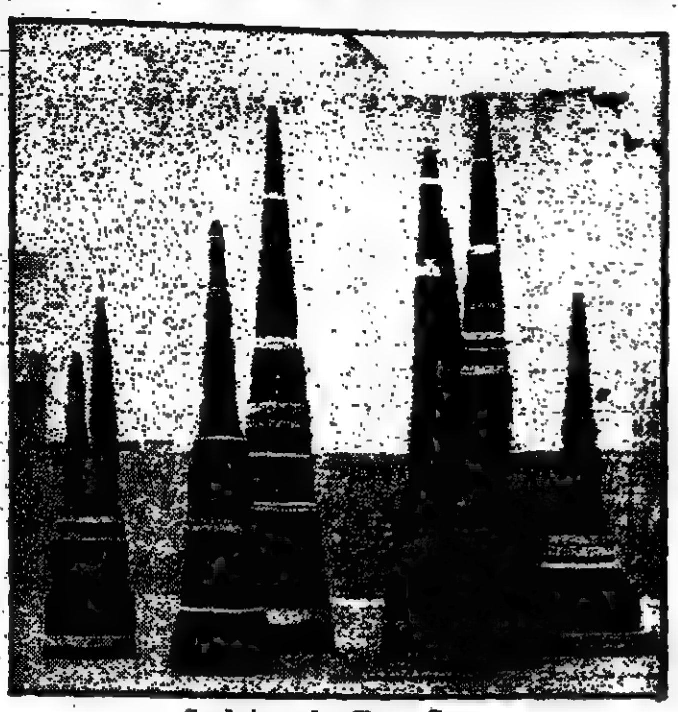
The aspect of Cragg's work which first won him wide attention and critical support was his use of brightly coloured fragments of plastic rubbish in the making of large and simple pictograms upon the wall. Sometimes the images would be general or neutral enough, but often they were clearly and fashionably polemical. Here such work is represented by a good — that is to say entirely characteristic — example. Riot occupies an entire wall, the figures life size in bright silhouette, the police with their shields and visors raised, the mounted ones among them with their batons drawn. It is a clever piece and even amusing in formal terms but, like Gulley Jimson's *Annie Laurie*, hardly worth the trouble. For all the point it makes about civil strife, it might as well be the Battle of San Romano.

His other works, elegantly disposed free-standing in space and light, are rather better though the arch arrays of glass and bottles, so pretty in themselves, are still a *shade over*-precious and aesthetical. The best things are the *most* simple and direct: the large cast steel retorts and cylinders that are so extraordinary in themselves that they *would* work whatever their arrangement; and the oddly exotic towers and cylinders on the terrace, that are nothing more than graded piles of assorted cogs, rings and tyres.

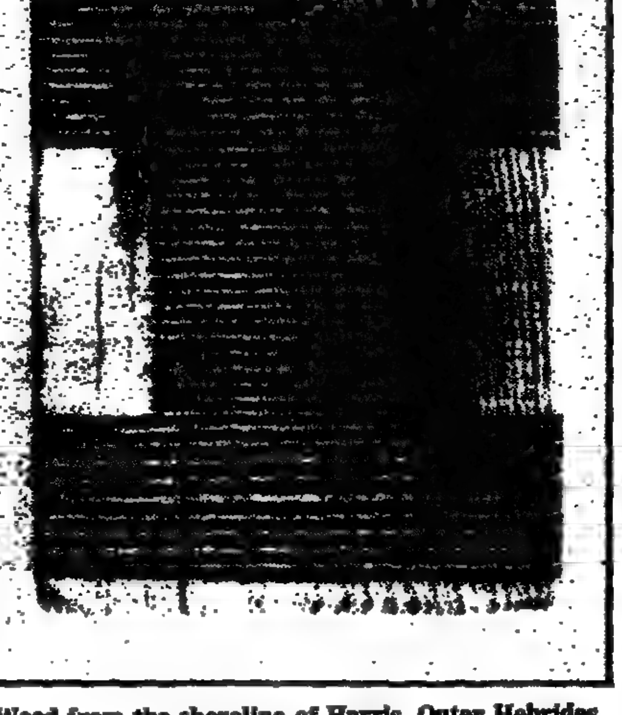
Best of all are the stone pieces, no more perhaps than two blocks and a lintel—or one on top of another, the support left rough hewn and the other cut and polished into the blank form of a long house or barn, sometimes teased by a forced perspective. These are works that can grow and develop and yet leave the *imagination free* to speculate. The less Cragg imposes himself upon us, the better an artist he is.

At Juda Rowan meanwhile, Cragg's sometime teacher and near contemporary, Roger Ackling, is having his first and long overdue major London show (until April 4). Ackling is a sculptor who works on the smallest scale in the most idiosyncratic and ephemeral way. He walks a great deal through the countryside and seeks in his work *to fix, quite literally to* burn into the imagination, the experience of time and place. In chancing upon a scrap of wood at the chosen place, he takes a talisman to represent it which he engraves directly by using sun and glass, there and then, to burn into its surface a pattern which the form itself and his own impulse and imagination direct.

It all seems so simple, even pretentiously so, yet these are manifestly magical and personal things, entirely serious and very beautiful. Here is sculpture, not as form assembled in light but as object informed by light in the most obvious way; and so much else besides. Ackling has walked by the river in Japan, by the *shore in England or over the* fields in France, unspecific in their associations so *far as* we are concerned, and thus in our imaginations we can go with him or by ourselves. We all have gone for our own walks and stopped on impulse to pick up a stone or twig, slipped it in our pocket and carried it home.



Sculpture by Tony Cragg



Wood from the shoreline of Harris, Outer Hebrides, by Roger Ackling

Tosca/Coliseum

David Murray

Jonathan Miller's version of Puccini's *Tosca* continues at the *English National Opera* with a partly new cast and a new conductor. *The latter is* Albert Rosen, who keeps the score in *purposeful forward* motion and rams the dramatic points home *in traditional, full - blooded* fashion. Not having heard the earlier Latham-Koenig performances, I cannot make comparisons; but none of the complaints that were voiced about the orchestral contribution on the first night would apply to Rosen's thoroughly professional reading.

He did dampen one of Puccini's best ideas, I thought: the casually jaunty, ingratiating march in which Cavaradossi's execution is set. It was flaccid, apparently with "expressive" *intent*; Puccini's melodramatic irony is better. Otherwise the *orchestra* made its mark strongly — often at an unflattering cost *to* the new Tosca and Scarpia, neither of them blessed with the bright Italian edge for cutting through orchestral *climaxes*.

Phyllis Cannan's *Tosca* displays no *temperament*, which leaves her nowhere in Act 1 (what can a *dignified middle*-aged lady in an overcoat do with Tosca's volatile passions?) but her solid sincerity begins to pay dividends when the later crisis looms, and she commands our sympathy. *Nonetheless* she remains a better mezzo than a soprano: her best-focused dramatic singing is in the lower register, and despite musicianly intentions her tone spreads and dulls over in the higher reaches where Tosca must be incisive. The analogous range of Rodney Macann's light bass-baritone — frail but vibrant — was apt and moving for his King Priam, but for Scarpia it lacks the essential steel, let alone the ring of frank animal lust. Macann uses his resources most intelligently; the fact remains that a Scarpia *who is to* carry his full weight needs different ones.

Geoffrey Moses makes something appealing and vulnerable *of the fugitive* Angelotti. Christopher Booth-Jones' honest *Sacristan is dimmer*—perhaps the producer's fault: his music (heavily indebted to the *David* of *Wagner's Meistersinger*) plainly expects quirkier, more *theatrical acting-out. Dr* Miller's interest in human behaviour *rarely strikes me as* finding adequate realisation in *his human puppets. This sketch* of the Sacristan is as thin and *flat, operatically speaking,* as the inert handling of Tosca and *Cavaradossi in this same first* act. Eduardo Alvares' Cavaradossi *is* best when loud and lusty; he is ineffectual in *piano*, *though he looks usefully grim* and disillusioned, and his glum *reaction to Tosca's news that* he wasn't really to be executed *suggested a new disbelief*-reading which got no follow-up.

With pathology Miller has a surer hand. The moment where *he has Scarpia plunging into* foot-fetishry and masochism is precisely the point where Puccini's score calls blatantly for *something creepy*: from just there, the Tosca-Scarpia struggle took on flesh and seized the audience (with the help of Miss Cannan's nice line in dignified revulsion). Since *Tosca* is a sensational piece *par excellence* (and little more), there is everything to be said for making sensational effects in the right places.

In that vein, Stuart Kale's blandly, sniggeringly lethal Spoletta deserves an admiring mention. I admire also Lazaradis's skewed permanent set, a half-exploded edifice, more effective on its own than anything Miller actually does with it (for the disorienting visual geometry is answered by nothing in the *staged action*). The guiding idea of this Tosca, updated to the *last days of* Italian fascism, is lazily half-realised. It's typical that *Miller should* refuse Tosca her irrationally potent candle-arranging about Scarpia's corpse and assign her instead some business with (apparently) dossiers of other political prisoners: she tears them up, into not very small pieces and *leaves them on the floor.* All right, she's understandably *distrait*—but by the time we've worked all that out, the force of the scene has been dissipated beyond recall. It is not a good idea to make us think about the *practical details of Tosca.*

La fiamma/Trieste

Max Loppert

In the popular view, or at least *that of record makers*, buyers, and catalogues, Ottorino Respighi remains the composer of three orchestral showpieces—*Fountains of Rome*, *Pines of Rome* and *Roman Holidays*. But the range and variety of his compositional gifts was wider than that. Though his antiquarian interest in Early Music is no longer a common *preoccupation for a* 20th century composer, the orchestral *arrangements, Ancient Airs and Dances* and *The Birds*, can still be enjoyed on several levels. And his 11 operas are gradually being taken off the library shelf, each time to their credit. Revivals of *Sleeping Beauty* (at the Royal College of Music) and *Semirama* (at Palermo) have been noticed on this page; the Hungaroton recording of *La fiamma, one* of the unheralded pleasures of 1985, preceded this month's new staging *of the opera at* Trieste.

La fiamma (1930-33) an exotic brew of religious fanaticism, sorcery, and illicit lust, owes its origin to the Norwegian play *Anna Pedersdotter the Witch.* Satisfying a taste for ripe late-Romantic opera in *colourful* early-Italian settings previously cultivated by Zandonai, Montemezzi, and Respighi himself, the composer and his librettist Guastalla transplanted the tale to 7th century Ravenna. Musically, it's an uneven piece: in the big ceremonial parts of the drama Respighi does little more than pile on choral grandiosity. He does so, let it be said, with notable efficiency; much of the last act is superior Hollywood-Roman-epic stuff, redeemed by masterly orchestration.

But at the heart of the opera —the violent secret passion of the heroine Silvana, descended from a witch and revealed to be one herself—there is to be found a fascinating mixture of post-Wagnerian ecstasy and limpid neo-Baroque vocal writing (in the Act 3 monologue, "Dolce la morte," Silvana's *emotional confession, the debt* to Monteverdi is obvious, and eloquently repaid). The richness of the musical inspiration, penetrated with a vein of fastidious melancholy, raises the work above the level of, say, *Francesca da Rimini* or *L'amore dei tre re*: any company with a powerful dramatic-soprano singing-actress on its books could do worse than consider its introduction to the *repertory*.

The Trieste company, one of Italy's more adventurous, had engaged just such a soprano. Giovanna Casolla, a name still *unfamiliar outside* Italy, disclosed a robust, ringing instrument, *inclined to harshness* lower down (in a curious way this suited the character very well) but able to soar freely, cleanly, and directly. The production by Carlo Maestrini, in the comically dated, cliché ridden designs of Tito Varisco, gave her little encouragement to explore the more interesting aspects of the character; it was a producton of stock gesture and line-up-and-sing, not one with any probing concern for psychological or feminist subtexts (*it's Silvana's burgeoning* sexual appetite that makes her a "witch"). *But all the same* this was a powerful, impressive reading of the role: *I look for*ward to hearing Miss Casolla again.

The musical preparation of the performance had been careful, thorough and authoritative. Under Maurizio Arena the *orchestra played* with ample sonority and "biff;" the chorus was confident. *In other leading* roles the tenor Carlo Bini, the mezzo Carmen Gonzales, and the baritone Alessandro Cassis (big, easily-produced voice) lacked subtlety but not conviction; the many smaller female roles were well handled. Considering that the Teatro Verdi was on the verge of an industrial dispute—just before the *start of Act 3* a union speech was made from the stage deploring artistic conditions in the theatre—the good qualities of the whole *performance* were astonishing.

Isaacs for Covent Garden

The Royal Opera House, Covent Garden, finally confirmed yesterday that Jeremy Isaacs, head of Channel Four Television, is to take over from Sir John Tooley as general director of the Opera House.

Sir John will officially retire in the summer of 1989, which fits in well with the end of Jeremy Isaacs's contract at Channel Four which terminates in December 1988. But Mr Isaacs will immediately start to attend strategic planning meetings, and his influence at Covent Garden will obviously be *felt before* he takes over.

Applause/Wythenshawe

Martin Hoyle

Wythenshawe, alas, is now only the second biggest housing estate in Europe. However, it still boasts the most consistently excellent staging of American musicals in Britain. The forum's auditorium may be incongruously flanked by the leisure centre's *swimming pool*, library, bars and disco, but its *artistic standards* under the aegis of Manchester Library Theatre remain almost absurdly high.

London saw *Applause* over a decade ago, when Lauren Bacall set a West End record with her five-figure weekly wage packet. Broadway veterans Betty Comden and Adolph Green provided a book based on the immortal Bette Davis movie *All About Eve*. Music and lyrics came from the Strouse and Adams partnership, responsible individually or jointly for varyingly successful musicals. It must be admitted that this musical relies heavily on knowledge and love of the cult film, as is apparent early in Act II when the plot's impetus peters out: a self-defeating attitude, too, since dialogue constantly recalls the *film script* without approaching its wit.

Chief loser is the *monstre sacré* herself, the abrasive, soft-centred, self-destructive star, Margo Channing. The stage version lacks a centre of gravity, since we are never sure how much self parody, indeed self knowledge, is intended by this Margo. The intelligent Josephine Blake, so marvellous here in Sondheim's *Follies*, looks too sensible to be hooked on this star stuff. She comments on the bitch-goddess *instead of identifying with her*, helped by the rheumy-eyed detachment expressed in such sardonic numbers as "Welcome to the Theatre," that snappish and grimy put down of the business like which there is no other. Miss Blake gives us a turn, in fact, rather than a character, though the fault lies with the authors. As northerners know, she is a fine hoofer and can put over a torch song like "Hurry Back," in duet with her recorded voice, to the manner born.

As the mousey fan who herself *turns into* a monster, Kathryn Evans (the lead in Manchester's successful *Evita*) looks fleetingly like the film's Anne Baxter and totally convinces in her change from loyal slave to back-stabbing competitor. Ray Scott-Johnson is that rarity, a musical juve lead who is strong-voiced and not remotely wimpish. *Sarah-Jane* McClelland's sets, using the stage's rising and descending platform, and the seven-strong live band help to maintain Wythenshawe's reputation for sheer pizzazz. Paul Kerryson, director and choreographer, works wonders with his devoted chorus (many involved in Wythenshawe's triumphant *Pacific Overtures* last year). The slickly stylised number for first-nighters—the lyrics beautifully convey social fatuities with caws and squeaks—makes an attention-grabbing opening. And in the title song, *beltingly* led by the splendid Sally Lavelle, the nine-strong troupe of boys *and girls sings* and dances its collective heart out, both more moving and more exhilarating than anything in the lavish productions of *Kiss Me Kate* or *High Society* currently on view further south.

Josephine Blake and Kathryn Evans

Mantis/The Place

Clement Crisp

It is hard to know what to make—*if* anything—of the programme offered on Tuesday by Mantis *as* part of the Place's *Spring Loaded* season. As an *example of* choreographic vexation the evening might win some particularly dire prize. As aversion therapy for dance-addicts it might be efficient. But as a view of what a small troupe proposes in repertory for a regional audience, it was dispiriting in the extreme.

Does the public deserve to be menaced with the glum attitudinising of *Alas, Morris Tuesday, Amen*, a piece tiresome as *its title, in which six dancers* clad in black remnants postured while they crept about the stage, occasionally moving poles with weighted ends? A programme note declared that one of the characters was a "slightly psychotic mother." I would be prepared to venture that the entire piece, by Jacob Marley, was similarly afflicted.

The programme further announced that the movement in Risa Jaroslaw's *Rate of Exchange* was "both sensuous *and athletic*," it looked as if its cast were warming up for a dance-work *that never* reached the stage. Yet *if* these preliminaries were disappointing, what can be said about *Scenes From the Life of Beethoven* by Micha Bergese, director of the company? It was long, divided into seven scenes (copiously described by the ever-obliging programme), and featured Mr *Bergese as the composer.*

We *saw* Beethoven's tomb looming veristically at the back *of the dance area, replete* with wash-basin and jug, of which Mr *Bergese frequently availed him*self. We watched Mr Bergese emoting *frantically*, having a bad time with various ladies, and reclining occasionally on the tomb. The programme alleged that he would walk through the countryside, and that we would see his friendship with the inventor of the metronome. I could not identify these incidents amid the dull activities of the cast. But by that time I did not care, anyway.

It was a bad evening, and my abiding impression is that Mantis needs to think with great seriousness about the sort of dance-theatre it seeks to offer to its public.

Saleroom/Antony Thorncroft

West's Banks for East?

A portrait of Sir Joseph Banks, the great naturalist, who accompanied Captain Cook on his voyage to the South Seas in 1768, sold at Sotheby's yesterday for an astonishing £1,815,000, way above the £800,000 top estimate.

It was painted by the American artist Benjamin West, who started it in 1771 during his time in London. The previous auction best for a West was the £550,000 paid at Sotheby's last November for a painting of King Alexander III of Scotland which *is now* the subject of an export stop: the nation has until June 2 *to keep* it in the UK

Sotheby's is not disclosing the purchase of the Banks, but since he is credited with naming Botany Bay and virtually founding Australia; is depicted wearing a cloak of New Zealand flax; and was painted by an American, overseas, interest in this dramatic portrait is certain to have been strong.

Banks commissioned it himself and the painting sold at Christie's in 1866 for 100 guineas. In the last year or so portraits have been commanding steadily increasing prices. Last week the National Maritime Museum paid £630,000 for a *lost portrait of* Captain Cook which Sotheby's disposed of last *autumn for a pittance. The* feeling yesterday was that the Banks was bound for Australia, but it is likely to be retained in *this* country to enable our museums to bid for this colourful and important memorial to a great man.

The sale of British paintings did well, totalling £3,458,940, with 9.5 per cent unsold. Another artist's record was the £198,000 for a sporting picture by Jacques Agasse: "Lord Rivers groom leading a chestnut hunter towards a coursing party." Lord Rivers encouraged Agasse to settle in England and commissioned this lively picture in 1808.

A convivial music party, captured in the early 18th century by Peter Angellis, sold for £71,500, way over forecast, and a portrait by John Frederick Herring Snr of "Languish" and "Pantallon," two *of* the horses in the stud of the Marquess *of Westminster, went for* £66,000, at the lower end of the estimate. The London dealer Morton Morris bought "*An Asembly of Exotic Fowls*" by Pieter Casteels for £57,200.

The popularity of English Delft was confirmed at Phillips when a late 17th-century salt doubled its top estimate at £20,900. Meanwhile Christie's was also doing well with local craftsmanship.

*

In an unprecedented exchange, the National Gallery is lending the Tate seven paintings by Turner to mark the opening of the Clore Gallery, and in return is receiving eight Pre-Raphaelite, *and* later Victorian pictures. The swap will continue until October.

The Clore Gallery, which *will house* the Turner collection, opens on April 1. Among the Turners from the National are "The Fighting Téméraire," "Rain, Steam and Speed," and "Ulysses deriding Polyphemus." The Tate is sending to the newly refurbished Barry Rooms at the National "Claudio and Isabella" and "The Awakening Conscience" by Holman Hunt, "Ophelia" and "Christ in the House of his Parents" by Millais, and "Chatterton," by Henry Wallis, among other works.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 6–12

Exhibitions

PARIS

French drawings: *At the beginning of* the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

LONDON

The Royal Academy: British Art in the 20th Century is a major exhibition full of interest yet to *some extent* misleading. The mistake was to try and give a comprehensive *overview* of "The Modern Movement" – the show's subtitle. But the subject is just too big and the gaps are obvious. *Concentrate on what is there,* rather than what is not, and certain strengths *in British Art* in this century do manifest themselves. The *Abstract* tradition and its development deserves a show of its own, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, there is much in which to take real pride. Sponsored by BP, the show ends on April 5 and moves to Stuttgart.

WEST GERMANY

Tübingen, Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.;

Hannover, Sprengel Museum Kurt-Schwitters-Platz: Pablo Picasso, the exhibition is the most complete display of Picasso's works seen in Germany, showing the 417 pieces donated in 1969 by the industrialist Bernhard Sprengel. Sprengel, who died last year, was Germany's leading collector of Picasso's works. The exhibition, with 400 graphic art prints and 17 oil paintings covers the artist's complete artistic range from 1904 to 1968, spanning cubism, classicism and surrealism, as well as Picasso's most recent works. Ends Mar 15.

ITALY

Turin: Circolo degli Artisti (Palazzo Graneri): One hundred drawings by Rodin from the last years of his life, almost all depicting the female form, in various sapphic, narcissistic and every day poses. The drawings have been chosen by Claudie Jaudrin, the curator of the Rodin Museum in Paris, from its collection of almost 7,000 graphic works by Rodin. Ends March 29.

SPAIN

Barcelona, Edvard Munch (1863-1944): 185 lithos, drawings and his influential graphics of his large output period. Emphasis is his preoccupation with themes of life and death (*friezes of life*). Fundacion la Caixa, Passeig San Joan 108. Ends March 22.

Madrid. Nine contemporary French artists: drawings, sculptures) murals. MEAC, Museo Espanol de Arte Contemporaneo, Paseo Juan Herrera. Ends March 22.

Madrid. Portuguese Contemporary Art. 150 works on loan by the Gulbenkian Foundation in Lisbon, include Vianna, Amadeo Sousa Cardoso, Almada and Vieira de Silva. Also at the MEAC, Museo Espanol de Arte Contemporaneo, Paseo Juan Herrera. Ends March 15.

Madrid, Gilbert and George. British Artists exhibit spectacular murals defined as living sculptures demonstrating daily life. Palacio de Velazquez, Retiro Park. Ends Mar 29.

Madrid, Italiana 1950–1986. 47 Italian artists of the period show 58 works. Centro Cultural de la Villa de Ma-

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 26. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Pierpont Morgan Library: Young Queen Victoria, an exhibit of autograph manuscripts, letters, drawings and other memoribilia commemorate the 150th anniversary of the queen's accession to the throne. Ends April 12.

NETHERLANDS

Amsterdam, Maison Descartes: Modern Indonesia *in the paintings of* Jean-Pierre Giacobassi. Ends March 25.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

FINANCIAL TIMES

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Thursday March 12 1987

Mr Haughey by a whisker

MR CHARLES HAUGHEY has very little choice. Either his Government introduces a tough budget within the next few weeks, or the Irish economy continues on its debt-ridden way and the new administration will be very likely soon out of office.

Mr Haughey was elected Prime Minister on Tuesday only by the casting vote of the Speaker of the Irish Parliament. Yet in one way his position is less precarious than it looks. The opposition Fine Gael party has offered its support, provided that the budget is as severe as it thinks the state of the economy requires. This support will almost certainly remain, despite the resignation of Dr Garret FitzGerald, the Fine Gael leader, yesterday.

The need for a tough budget has long been recognised. The country's national debt amounts to nearly 150 per cent of gross national product; around 40 per cent of it is held abroad. Government expenditure accounts for just over 60 per cent of GNP. The Exchequer borrowing requirement has been running at 13 per cent of GNP and the Public Sector Borrowing Requirement, which includes state corporations, is around 18 per cent. Unemployment is close to 20 per cent and the extent of Irish emigration has again become a problem.

Cuts required

Earlier action was prevented by disagreements within the previous governing coalition. The Labour Party, as the minority partner, opposed cuts in social welfare. Dr FitzGerald, as Prime Minister, thus took the unusual step of presenting his draft budget virtually as his party's manifesto in the general election last month. Mr Haughey will have to introduce something very like it.

He will have to act fast — March 25 or April 1 (April Fools' Day) are the suggested dates. For the lesson of Irish politics is that if decisive actio is not taken early in the life a new government it is not taken at all. A combination of cuts in public expenditure and measures to liberalise the economy, possibly including privatisation, is what is required.

Mr Haughey said during the election campaign that while he agreed with the need for restraint, he also hoped that the economy would grow its way out of trouble. There is no time for that now. The very narrowness of his majority dictates speed. Neither Fine Gael nor the Progressive Democrats, the other main opposition party, will tolerate inactivity for long. But if he does move decisively, his government may be able to consolidate its position at least for a while.

Second place

The resignation of Dr FitzGerald was a surprise largely in its timing. He had not been expected to lead his party into the next general election, but perhaps to stay on for the early stages of Mr Haughey's premiership. By going now, he has drawn attention to the possibility of another election within the next 18 months or so. A new leader will need time to settle in. Two of the likely candidates, Mr Alan Dukes and Mr John Bruton, are former finance ministers and would presumably press for a much more competitive economy. The result should be known in a couple of weeks—before the budget.

Given the pariousness of the economic situation, the future of the Anglo-Irish Agreement is likely to take second place in the new government's immediate activities. That is probably all to the good. Mr Haughey has never been so enthusiastic about it as Dr FitzGerald, who signed it, although he has stopped well short of renouncing it altogether. A period of letting it tick over while the new Irish ministers and officials get to know their British counterparts would not come amiss.

There may be some problems over the new arrangements for extradition which were agreed by the last Irish parliament, but are not due to go into effect until the end of this year. It is possible that Mr Haughey will want the British authorities to present more evidence in an Irish court before particular cases of extradition are agreed. But there is no reason why that should come to a head yet.

Besides, there may shortly be another general election in the offing—not in Ireland but in Britain. The time to develop the Agreement will be when Mr Haughey has begun to deal with his economic difficulties and the British election is out of the way.

Bold reforms in civil justice

LORD HAILSHAM, the Lord Chancellor, must be congratulated for his bold attempt to free English civil justice from the shackles of tradition and professional privilege. It is an attempt which deserves a speedy success.

Whether the proposals in the just published final consultative document in his civil justice series will be implemented, and how quickly, would be uncertain at any time, but particularly so in an election year. One can only hope that all three political parties will recognise that making the machinery of justice more accessible to citizens and to business, and making it faster and more cost effective, is an objective they can share. The implementation by a Labour Lord Chancellor of proposals formulated by his Tory predecessor is not without precedent.

A greater danger seems to be that after a Tory victory the Government would retreat from these attractive proposals under pressure from the legal profession's lobby. It would be reassuring if the reform proposals were embodied in the electoral programmes of all three parties as they deserve to be.

European integration

The present proposals are a cautious move towards a further integration of the courts, a historical process advancing so slowly that it has been hardly noticed by the present generation. The changes to be effected by a uniform code of civil procedure are more radical. They would temper the excesses of the advisary procedure and bring it closer to what is usually given the undeservedly sinister name of "inquisitorial process." Yet there is nothing sinister in a system which gives the judge a more active role and greater control over the timing of the pre-trial procedure and over evidence. This is now proposed, together with greater emphasis on written submissions, instead of long speeches addressed to the long absent jury. Allowing the parties and the judge to read the papers in private and to clear only crucial points in an oral hearing—seems a far more economical way of doing things.

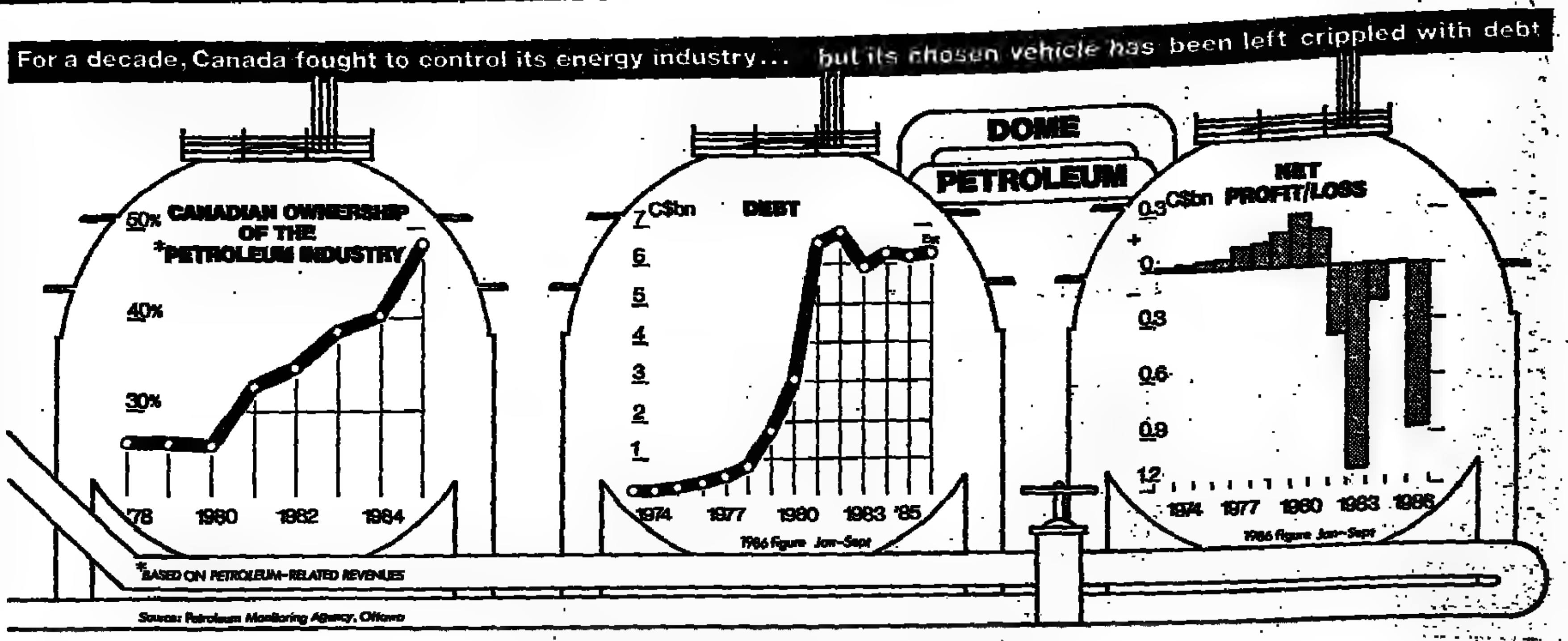
The proposals would bring the English civil process nearer to that customary in the Continental member-states of the European Community. Their adoption would be an important step towards the integration of the Community.

The consultation document also recommends a greater role for advisory agencies, the expansion of simplified procedures and of arbitration, either in court or under the patronage of the court. The success of the small claim procedure augurs well for these proposals.

Fee regulation

A question mark hangs over the possibility, outlined in the consultation paper, of reducing legal costs by increased competition between lawyers. Experience has shown that exhortations will not restrain lawyers' tendency towards formal or informal fee regulation. The Advisory Committee and the Lord Chancellor's office recognise that the proposed changes in procedure would not by themselves lead to a reduction in the cost of legal service. One must fear that they are right and, moreover, that even with a simplified code of procedure, the lawyers will tend to complicate matters as long as they are paid for the complications.

The West German experience, reported elsewhere in today's issue, shows that resolution of disputes can be greatly speeded up by paying lawyers not for individual operations, like letter writing or attendance in court, but for a job done, and to calculate fees as a percentage of the amount in dispute. This system, too, has its weaknesses and its adoption cannot be recommended unconditionally. But the principle that work expands to absorb all the money available should not be forgotten. A limit on the fee might help to avoid unnecessary complications.



CANADA'S ENERGY POLICY

Old habits die hardest

By Bernard Simon in Toronto

IN a ritual which has been repeated with monotonous regularity over the past five years, the ailing Canadian oil and gas producer, Dome Petroleum, this week asked its 56 lenders for new concessions on the repayment of its C$6.4bn (£3.02bn) debt.

Dome is not just another hard-pressed energy producer trying to survive in an era of low oil and gas prices. Besides being one of the world's biggest corporate debtors, it is a crippled symbol of poor official energy policies and banking practices which have soured the dreams of Canada's "blue-eyed sheikhs."

The energy nationalism which nurtured Dome through the 1970s was designed to build a strong Canadian presence in a strategic resource industry. By giving domestically owned companies the most generous tax concessions and exploration incentives, Ottawa hoped they would challenge the US and European multinationals, which dominate the Canadian energy industry, and spearhead the development of new oil and gas fields off the coasts of Newfoundland and Nova Scotia and in Canada's high arctic.

That is not how it has worked out. The legacy of a decade of interventionism is a group of big but debt-ridden oil and gas producers vulnerable to foreign predators, and a group of banks burdened by energy loans.

Evidence of this legacy has bubbled to the surface several times in the past few weeks.

Calgary-based Husky Oil, whose chairman, Mr Robert Blair, has been a leading champion of a strong, indigenous energy industry, is being taken over by a company controlled by Mr Li Kashing, the Hong Kong property tycoon. To maintain the appearance of local control, ownership of 9 per cent of Husky's shares will be vested in Mr Li's son, a naturalised Canadian. Hong Kong interests will own 43 per cent.

Dome itself is in discussion with several foreign oil companies interested in buying its assets. Ottawa has privately given its approval to a foreign majority shareholder if that is the price to be paid for restoring confidence in the company.

The Government earlier this month even raised the possibility of privatising Petro-Canada, the state-owned energy company with assets of C$9bn which was formed in 1975 to give Ottawa a window on the oil industry. Petro-Canada's growth has come mainly from acquisitions of foreign subsidiaries, including Atlantic Richfield Canada, Petrofina Canada, and the refining and marketing business of British Petroleum.

The rigs off the east coast have disappeared with the drop in energy prices. Only in the Beaufort Sea off the northwestern Arctic coast, where Gulf Canada has made a big discovery, is frontier development pressing ahead.

Meanwhile, Canadian banks are paying a heavy penalty for their support of the energy industry in the heady 1970s. Natural resource industries (mostly oil) last year made up 32 per cent of the non-performing loans of Canadian Imperial Bank of Commerce, Dome's biggest creditor. The proportion was just over 1 per cent in 1988.

Royal Bank of Canada has come to the rescue of several troubled oil producers by exchanging its loans for equity. Dome is asking its creditors to do the same.

But however daunting the setbacks, there are now signs that history may be about to repeat itself. Some influential politicians and businessmen have demonstrated a renewed commitment to insulating Canadian energy producers from the rigours of the market place.

This time, the rallying call is "security of supply." Pressure from the energy industry and regional interest groups is growing on the federal and provincial governments to provide financial incentives for construction of up to half-a-dozen energy mega-projects. The commercial viability of

Canada is paying a heavy penalty for its 1970s energy nationalism

such ventures is acknowledged to be dubious, but other factors have come into play.

"It would be the saddest thing if this country does not develop the resources which it has for the reasonable security of its lifestyle," says Mr Robert Smith, senior vice-president of Syncrude, Canada, which is studying the feasibility of a C$4bn project to raise its output by 50 per cent to over 200,000 barrels a day. Syncrude extracts the oil from oil-soaked sands in north east Alberta.

Mr Smith adds: "Politicians and the oil companies have to have the heart and the will to place their resources on the line for the future."

Dome's experience is a sober reminder of how such apparently far-sighted vision can go wrong. The Calgary company's unflagging enthusiasm for oil and gas exploration in the High Arctic helped it win many supporters, especially in Ottawa, during the late 1960s and early 1970s. Typical of favours granted to Dome was a provision in the federal Government's 1977 budget granting extra write-offs on expensive offshore wells. At the time, Dome was the only company which qualified.

Such government support, coupled with the eagerness of banks lead to the energy industry, encouraged Dome to embark on an acquisition spree. The company's revenues grew from C$172m in 1974 to C$3bn in 1982. Its debt ballooned from C$111m to C$6.8bn.

As late as 1982, when oil prices were well past their peak, a consortium led by Citibank lent Dome C$2.1bn to buy Hudson's Bay Oil and Gas, at that time one of Canada's most highly regarded and financially healthy energy producers. Within two weeks of the purchase, Dome was forced to turn for help to the Canadian Government and the banks to avert a cash crisis.

The Dome story since has been an almost non-stop struggle for survival. Although its oil and gas operations have remained profitable, interest charges and asset writedowns pushed net losses to C$1.7bn between 1982 and 1984.

The outlook brightened for a time after Dome hired Mr Howard Macdonald, a former Royal Dutch Shell treasurer, as chairman in late 1983 to sort out its finances.

Mr Macdonald, a no-nonsense Scot, negotiated a debt rescheduling agreement with the lenders, which stretched repayments to the mid-1990s. He raised C$1.4bn by selling businesses which did not fit into Dome's three main areas of expertise — western Canadian oil and gas, natural gas liquids and Arctic contract drilling.

Dome managed to complete a successful public share issue in May 1985 and reported a small profit later that year. "We had almost solved it, but the oil price tore it apart," Mr Macdonald says.

The plunge in oil and gas prices has not only thrown Dome's future into doubt again, but has also started a new debate on Canadian energy policy.

The Progressive Conservative Government led by Mr Brian Mulroney, the Prime Minister, which came to office in September 1984, has dismantled the National Energy Policy of the previous Liberal administration. It has deregulated oil and gas prices, scrapped a punitive revenue tax on energy producers, and revamped exploration incentives to end discrimination against foreign-controlled companies.

These measures have been widely applauded, but the drop in world prices has raised new tensions. While the oil-consuming economies of Ontario and Quebec have boomed, producing provinces—Alberta, Saskatchewan and British Columbia—and aspirant producers (such as Newfoundland and Nova Scotia) have fallen on hard times.

According to the Bank of Nova Scotia, Alberta's economy shrank by 1 per cent in real terms in 1986 and will contract by another 1.2 per cent this year. Over 25,000 jobs have been lost in the province's oil industry. Ontario, by contrast, is expected to report an average growth rate for the two years of 3.3 per cent.

The less fortunate parts of the country see a new round of energy mega-projects as an important way of closing the gap with wealthy, central Canada. The ventures they have in mind include the Syncrude oilsands expansion, the revival of oil and gas development off the east coast, a C$3.2bn plant on the Saskatchewan-Alberta border to upgrade bitumen into light crude oil, and a range of heavy oil projects.

"Security of supply" has become an important part of the arguments in favour of these projects. While Canada is at present self-sufficient in light crude oil, the National Energy Board (NEB) in Ottawa predicted last October that imports would make up between 40 per cent and 68 per cent (depending on price) of domestic needs within 20 years.

According to the NEB, "the existence of frontier and unconventional hydrocarbon resources which could be developed to continue to provide Canada with energy security is not in question."

It is once again hoping to swim against the tide of world oil markets

The issue is whether these resources can be economically developed given prospects for future price-cost relationships.

The economic plight of the regions where these resources are located has increased pressure on the authorities to provide the financial support needed to make their development commercially viable. While the banks fuelled Dome's growth, Canadian taxpayers are now being called on to back the oil industry.

A study commissioned by provincial energy ministers concluded recently that the cost of half-a-dozen of the biggest projects now on the drawing board would be outweighed by their broad economic benefits.

Dr Neil Webber, Alberta's Energy Minister, says: "We want to see these projects come on-stream." He adds that if the Organisation of Petroleum Exporting Countries (Opec) became the main supplier in the mid-1990s, "it could cause a lot of problems."

The Alberta government has already stepped forward to help Syncrude by providing a C$200m standby loan to ensure that work goes ahead on its current C$750m expansion, even if oil prices fall further. The province has also put up C$85m for the feasibility study on the proposed C$4bn mega-project.

Thanks partly to earlier tax concessions, Canada's oilsands plants are working at record capacity. Syncrude turned out 47.4m barrels of oil last year. Output at smaller oilsands producer, Suncor, reached 20m barrels.

Rising output has enabled them sharply to reduce costs, a high proportion of which are fixed. Syncrude's operating costs have halved in the past five years, to US$11 a barrel in 1986. (It needs $22-$25 a barrel to meet interest payments, capital costs and provide a return to its shareholders.)

Canada is thus once again hoping to swim against the tide of world oil markets. But there is at least one important difference with the methods tried in Dome's heyday.

Foreign investors are more welcome now than they used to be. Syncrude's biggest shareholder is an Exxon subsidiary. Other multinationals — Mobil and Texaco among them — will be some of the main beneficiaries of any concessions made to revive east coast development. US and European companies are expected to become increasingly active purchasers of western oil and gas reserves.

The wheel will have turned full circle if and when Dome is sold. With the domestic industry still recovering from past excesses, Canada now has little choice but to entrust much of the search for its energy security to foreigners.

Men and Matters

City opens new doors

For years, Budget Day has brought television and radio to the floor of the Stock Exchange for a spot of instant City reaction. Which raises an interesting question this year.

Since Big Bang, the exchange floor has been virtually deserted because all the dealers have retreated to their screens in trading rooms. So what is likely to happen next Tuesday?

The answer is that all the big dealing houses will be throwing open their doors to the TV cameras and the radio microphones for some on-the-spot comment, surrounded by all the screens and modern-day paraphernalia of the markets. Houses like Kleinwort Grieveson and County tell me they will be making arrangements for the broadcasters.

Insofar as any prizes go for the greatest coverage, BZW, the Barclays subsidiary, seems to be vying for first place. Between Budget day lunchtime and breakfast the next day, BZW will be taking in BBC TV News, ITN, Channel 4 News and BBC Breakfast Time. "I think we can probably win the TV stakes, even if we don't get all we want in the Budget," says public relations manager, Tony Bennett.

"That's a lot of money—how would you like to join a concert party"

Northern light

Charles Edmond, aged 37, a stockbroker who specialises in Far Eastern securities, has found a way of breaking out of the lifestyle of the City of London without having to take early retirement.

He has just joined James Capel from Barings Securities in order to start up an international securities dealing operation in faraway Edinburgh, Scotland.

His office, which should open in the summer, will be Scotland's first to cater specifically for the international interests of Scottish fund managers, who account for £45bn — about a quarter of all the funds managed in Britain.

Even though Edinburgh has a successful reputation for investing in North American and Japanese securities, the dealing has, up to now, usually been done through London—much of it, Edmond claims, through James Capel. Yet more funds are managed in Edinburgh than in Hong Kong or Singapore.

Edmond, who was born and educated in Edinburgh but has spent half his life outside Scotland, including nearly ten years in Hong Kong and Tokyo, is looking for about 15 executives to man the Edinburgh office. He hopes to recruit some of them from the ranks of Scots and others who, like him, are sick of London

At present he gets up at 5.45 am in Guildford to catch the 6.50 train to London, which usually fails to provide him with a first class seat, but gets him to his office in time for the 8 am conference call with Tokyo. He sets out on his hour-and-a-half journey back home at 6 pm. In Edinburg, he says, he hopes to get a house a few minutes walk from the office.

There are signs that, in the wake of Big Bang, more financial specialists are moving from London to Edinburgh than going the other way. Edmond believes the traffic will increase. "If I do my job of serving Scottish customers properly, five or six brokers will have to follow us up here."

Pay parade

It is impossible to know how many, but some of Italy's 100,000-odd regular soldiers were boycotting their messes yesterday. Not in protest at the quality of the food and drink but at the fact that the government crisis is delaying a pay rise which they have long awaited.

The outgoing government, led by Bettino Craxi, is putting itself back together again today for a Council of Ministers' meeting which, among other things, will hurriedly adopt a decree to resolve the army's discontent.

As a result, a lieutenant colonel's pay should rise from L19m a year (£9,500) to L25m. This should help to pay off more than a few mess bills.

New issue

New arrivals on the bid scene at London & Northern — the construction and healthcare company currently in the final throes of an unwanted £90m offer from Demerger Two — have been thick and fast recently.

But Tuesday's entrant had as much impact as any stakebuilder. The current roundabout of negotiations ground to a halt as Peter Earl, Demerger's adviser and frontman, witnessed the arrival of a son.

The original Demerger took an unsuccessful tilt at Extel last year. "I suppose," speculates Richard Crick, Earl's amiable foe at Hill Samuel, which is advising L and N, "that they could call him Demerger Three—or how about Son of Demerger?"

Actually, Demerger Four might be more accurate—there is already a daughter, and clearly a dynasty in the making.

Yesterday Earl was hotly rejecting suggestions that he worked on at the bid throughout the birth. "Outrageous," he objects, in tones usually reserved for describing his target's announcements.

Even so, Early junior timed his entrance well—at two in the afternoon there was still time for his father to fit in the odd meeting before catching up on some sleep.

In the fast lane

Is the pressure getting to the frontliners at Woolworth Holdings?

Nigel Whittaker, the eager-beaver chairman of the B & Q do-it-yourself business, who doubles as group corporate affairs director, tells me that he and finance director, Archie Norman, agreed last week to give up alcohol for Lent.

"We're trying to keep ourselves in good nick," he volunteers. There seems to be stimulation enough in the Marylebone Road headquarters at present.

The takeover of Charlie Browns car parts and service chain was sealed safely earlier this week. However, preparations for the first full-year results since the defeat of Dixons takeover bid are rapidly approaching their climax. And they still have to capture the elusive Underwoods chemists business.

Geoffrey Mulcahy, group chief executive, was reputedly spitting nails the other week when his negotiations were so rudely interrupted by intrusive media attention.

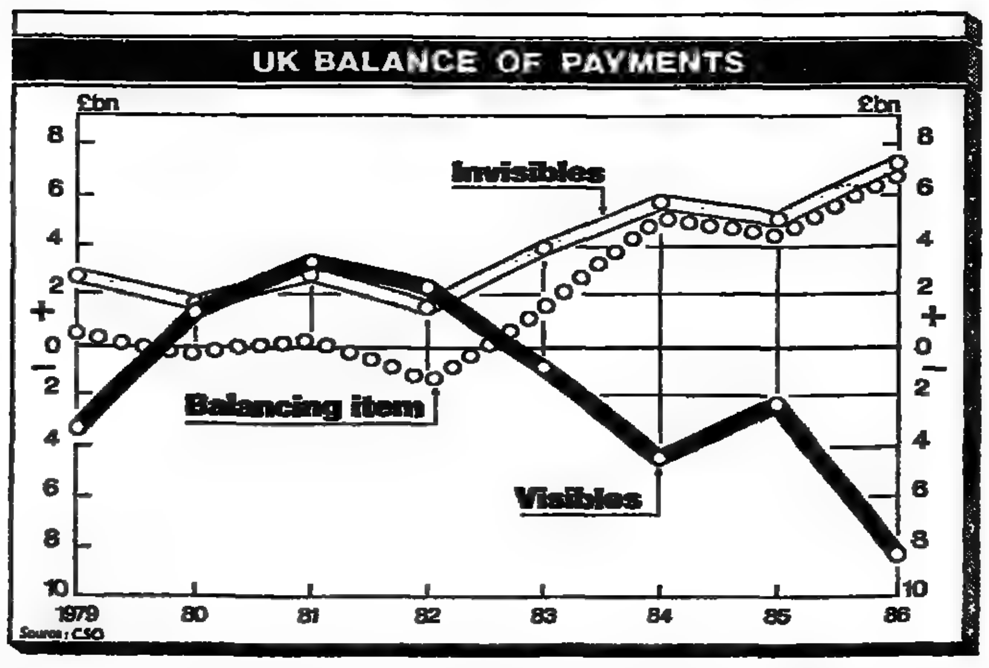
His condition may improve as his Lenten pledge takes effect. Mulcahy is setting a fine example of self-sacrifice, Whittaker reports: "Geoff's given up chewing paper clips."

Observer

ECONOMIC VIEWPOINT

Interest rate fall not a reason for tax cuts

By Samuel Brittan



THE LOGICAL IMPLICATION of falling interest rates is that the Chancellor should hand out *less* in tax cuts than he otherwise would, not more.

This might seem a paradoxical reaction to the mood of financial confidence. But the paradox does not go very deep.

Both interest rate reductions and tax cuts are ways of stimulating demand. The more demand is stimulated in one way, the less it should be in *another*, for any given policy stance.

Indeed, if short-term interest rates were really to fall from their present range of 10 to 10½ per cent towards West German levels of 4 per cent, as some industrialists demand, there would be a case for some hefty tax increases or a public spending axe or both.

Those who disagree should spare us lectures on "political reality." We will not even understand political pressures unless we first set out what would be a sensible course in their absence.

Some people might try to dispute my inference by saying that they "do not believe in demand management." The monetarists are in no position to make this assertion. For they only believed in controlling the monetary aggregates because they thought that the latter bore a stable relation to national incomes and expenditure in money terms.

Now that this relation has broken down, there is no escape from stating demand management aims quite explicitly in terms of nominal Gross Domestic Product and using *instruments such as interest* rates and fiscal policies quite directly to achieve them.

Monday's base rate reduction stems quite directly from the Chancellor's policy of a target range for sterling. This is entirely sensible, however much his advisers may have been embarrassed when he deliberately let the cat out of the bag while in Paris for the Group of Five meeting.

The sterling index has drifted from a low point of just above 67 last October to well above 72 this week. Against the German mark *it has risen from a low of just above DM 2.7 in January to a few pfennigs below DM 3.*

It is sensible to try to keep sterling within roughly this range. The judgment is about British policy needs in the foreseeable future, and in no way depends on one's views on a world system of target exchange rate zones, the general merits of fixed versus floating rates, or even the EMS.

If sterling went below the range just indicated, inflation would gather force almost as surely as night succeeds day. But if it rose much higher, the painfully acquired UK competitive advantage arising from last year's depreciation would be thrown away. Moreover, business would become much less responsive to any exchange rate changes in the future, seeing how easily they could be reversed.

Given the forces making for faster inflation, sterling should be in the upper rather than the lower part of the range. I leave it to those who regard themselves as expert in market psychology to prescribe on the exact width of the range or how much information about it should be disclosed.

Of course, anyone can imagine some hypothetical events, such as a flare-up or collapse in the oil market, or a world slump, which would make the present range inappropriate. No policy objective is valid for all time. But it would be sad if Nigel Lawson's advisers were to succeed in using these truisms to persuade him to utter bromides on the pound in his Budget speech.

Even if they do, there will always be unscripted interviews. So long as he does not drink Malvern water at the dispatch box which would be truly unforgivable, the Chancellor can play the public side any way he likes.

Whatever he says, the Chancellor will reduce interest rates further—or "allow the markets to take them down"—if sterling rises in the foreign exchange markets. This has a relevance to fiscal policy often overlooked.

On the external side, falling interest rates may put a lid on sterling and thus neutralise the tendency for British products to become uncompetitive. But internally, falling interest rates stimulate demand for credit and raise asset values, all of which stokes up domestic demand.

Nor is it any answer to say that customers who pay 30 per cent interest rates on consumer goods without a care will not respond to Bank of England policy. A large amount of credit *not only for house purchase* (so-called "equity withdrawal"), is tied to mortgage interest rates *—and these do matter.*

Indeed, the effects of lower mortgage rates are peculiarly perverse. Because of their impact on the Retail Prices Index, they have an initially favourable effect on recorded inflation. But the ultimate effect, other things being equal, is to stir up inflationary pressures which will still be operating long after the initial RPI impact has faded away.

The average voter (like most economists) may not be able to specify the exact model. But nor can he be completely fooled.

Moreover, the budgetary position from which the Chancellor is starting is not really as brilliant in financial terms, nor as restrictive in economic terms, as the crude figures suggest. Gavyn Davies of Goldman Sachs estimates that the cyclically adjusted budget deficit, excluding the effects of privatisation is no lower as a proportion of GDP in 1986-87 than it was the year before. If taxes are cut by £3½bn in 1987-88, the adjusted fiscal deficit will, on this estimate, worsen by ½ to 1 per cent of GDP.

One possible escape route is to say that falling interest rates are already taken into account in the Budget judgment. But market events surely show that interest rates have fallen earlier and are under more downward pressure than the Treasury and Bank expected.

A more sophisticated escape route is to claim that lower interest rates reflect only lower inflationary expectations. Tell that to the Government broker.

There are many *forces* behind the movement into sterling: political hopes, fashion, doubts *about other currencies,* the hardening of the oil market, and reduced hysteria about the British balance of payments. There is no need to exclude a little more optimism about British inflation as one of the forces

But it is hard to believe that each 1 per cent reduction in interest rates reflects a 1 per cent reduction in inflationary expectations, or anything like it.

Without such a belief my conclusion holds. The more interest rates fall, the tougher should be the Budget.

For 1987 itself Goldman Sachs expects nominal GDP growth of 9 per cent compared with 6½ per cent originally forecast by the Treasury.

Most of this extra 2½ per cent is likely to be inflation. To avoid the inflationary effect, the underlying real growth rate would have to double compared with recent years. Although I am an optimist on productivity and performance, I find this unlikely.

What about the supply side? Indeed, what about it. There are some very specific schemes—for instance involving profit-related pay, the long-term unemployed, or reductions in penal marginal rates, for which it would be worth taking a budgetary risk. But the really large sums do not come here but from across the board tax cuts, whether in the form of lower basic rates or higher thresholds. To call these supply side is a triumph of political faith over common sense.

* * *

In the above warning about the dangers of over-stimulative policies, I have carefully refrained from the usual alarmism about Britain running a payments deficit. There is no such deficit.

It is true that a lot of publicity was given last week to the downward revision of UK invisible earnings for 1986 by over £1bn. This came only three or four months after the Central Statistical Office had raised the estimate. The net effect of the latest announcement was to increase the published current deficit for 1986 from £0.2bn to £1.1bn.

Much less publicity was given—and none by the CSO—to another much larger positive movement. This was in the "balancing item" or "errors and omissions," which consists of inflows whose origins cannot be traced.

The UK balancing item first became important in 1983. In 1986 it rose by £2.5bn to reach £8.9bn. This was almost as much as invisible earnings and nearly as large as the visible deficit.

The balancing item is conventionally put into the capital account. But there is a world wide reason for thinking that some of it is current earnings. This is that if all countries' published current account balances are added together, the world as a whole appears to have a deficit of $80bn per annum with itself, which is absurd.

Statisticians have failed to plug this black hole in the world economy because they are trained to be precisely wrong rather than roughly right. Here is one area where politicians the world over, so far from manipulating the figures, are themselves being manipulated by the statisticians.

The best procedure, failing other information, is to allocate to each country a share of the world balancing item corresponding to its share in *OECD* trade. *The procedure* gives Britain unrecorded earnings of £4bn per annum. The sum is enough to convert the 1986 British payments deficit into a surplus and to more than eliminate the deficits predicted for 1987 by the main independent forecasting institutions.

The actual UK current balance in 1987 will depend on the way in which the conflicting forces of rising domestic demand and the delayed action effect of the 1986 sterling devaluation work themselves out in a modestly growing world economy.

An inflationary demand stimulus can indeed spill over into the balance of payments. But it has not yet happened. By crying wolf at the wrong time and the wrong issue, some of the more vociferous critics show that they are stuck in a time warp of 1960s type balance of payments concerns and missing out on the more relevant criticisms.

Lombard

Workfare is on its way

By Joe Rogaly

BRITAIN SHOULD stop being namby-pamby about workfare. Workfare? It is a typical Ameri*can coinage, combining* work and welfare: after all, it is reasonable for society to demand something in return for welfare payments. On this side of the water we are already halfway there and I bet a year's dole at evens that the other half will be traversed if the Conservatives win the election. Even if they lose, the possibility remains that the next Government will recognise that the essence of workfare could be described as pure socialism: "from each according to his ability; to each according to his needs." In the US, where workfare is taking root, different states impose different obligations. It could be attendance at an education or training institute, or community work, or a low-paid job. President Reagan tried to make it mandatory, but Congress authorised an *experimental* approach.

The disadvantages are of the kind that always arise when an idea emerges from the New Right. There is a suspicion that the purpose is simply to save money by paying a smaller dole to people who have lost their jobs. In many states it probably is, but here at least it should be otherwise. Since much of the unemployment in the UK is being caused by the transition from a smokestack economy to a service economy we should at least be generous to those who are shaken out. Again, US experience indicates that workfare can become a ruthless means of forcing people into menial jobs at very low pay, possibly lower than a reasonable level of welfare payment. There certainly are some on the New Right who would like to do the same here, but *it doesn't have to be that way.*

Most seriously of all, there is the danger that a full-scale workfare programme in Britain might result in the taking of arbitrary administrative decisions that would add to the distress of the genuinely helpless: the old, the sick, the disabled, the hopelessly unemployable. This is not as fanciful as it may sound: in the US there is debate on whether single mothers should be asked to contribute time or effort when their youngest child reaches the age of three rather than the more liberal six.

Let's stop right there. There is a world of difference between three—when there may be no relative available for baby-sitting — and six, when the infant may start attending school. A large part of the welfare budget in the US is devoted to single mothers; it is a growing phenomenon here. Does this status imply no obligation on the part of the unmarried teenager who becomes pregnant, or the divorcee whose ex-husband is unwilling or unable to keep up maintenance payments? In the US, middle-class mothers who go out to work are contrasted with poor, single, mothers sitting at home on welfare.

Looked at in that way, workfare becomes a means of changing the outlook of people who are accustomed to dependence upon the state. It is nothing less than an attempt to alter the consciousness of the poor and the unemployed. This is plainly outrageous—if all unemployment is regarded as merely the consequence of a shortage of jobs. But what if some unemployment is long-term because people have given up hope? What if some is the consequence of an unwillingness to take less desirable jobs, or jobs more than a little distance from home? What if the problem is a lack of skills, or lifetime immersion in a council estate or ghetto from which the way out cannot easily be discerned?

So far, the Government's answer has been a voluntary form of workfare. The Job Training Scheme is likely to prove increasingly difficult to turn down. The Restart interviews, which cover the long-term unemployed, provide recruits. The Job Clubs are meant to encourage people to find work. The Community Programme is another manifestation of the same outlook. The next step could be to make it all mandatory. It would be unrealistic to expect such a step before the election, and foolish to rule it out afterwards.

Letters to the Editor

Latin American debt

From Professor M. Lipton and Dr S. Griffith-Jones.

Sir, — On March 2 (editorial) and March 6 you emphasise the need for patient, conciliatory negotiations to reverse the absurd 1983-1987 trend of increasing net financial flows from poor to rich countries — and to resolve this delicate stage in the Latin American debt problem. This may take time, however. There could be imminent danger. Both Brazil and its creditor banks, to avoid seeming weak, are delaying negotiations. Without a swift settlement, US regulations (among other things) mean that major banks' assets will be significantly written down, reducing their general capacity to lend. Consequently falls in world demand would further reduce debtors' capacity to service loans.

To eliminate this threat (however small) of world slump, creditor governments and international financial institutions must, in the next two or three months, play a key role in adjusting debt obligations. History from the South Sea Bubble to Ambrosiano (Luxembourg) shows that a sharply worsening repayments climate often cannot be tackled by debtors and creditor banks alone. Partly for this reason, lender-of-last-resort (LLR) arrangements need to be announced clearly, well before any crisis. Nationally, the central bank provides these; in return, commercial banks accept its power to moderate both *overlending* in boom and withdrawal in slump. Internationally, the urgency of joint, publicised action, involving creditor governments, to clarify the parallel LLR regime cannot be overstated.

The long-run need is for an international financial system to fund growing world trade and capital flows, to safeguard growth in debtor nations, and to secure private banks' solvency while stabilising the growth of their lending. In the shorter term innovative ways of handling the debt overhang have to be found.

Such major changes cannot all be made within the time-limit imposed by recent debtor actions (given regulations). Therefore, within that time, industrial countries' central banks should clarify how, in the event of financial crisis, they will jointly act as international LLR — probably by purchasing discounted sovereign credits. That would safeguard private banks' solvency, but force them to bear costs for past mistakes, and to accept more future supervision to stabilise international lending. These principles could have helped spare us both the ill-considered explosion of sovereign lending in 1975-1981, and the panicky implosion of 1983-1987.

Far short of any argument for an international central bank, there is an irresistible case for urgently preparing and announcing contingency plans for temporary public intervention in debt crisis management. Usually, capital markets may be efficient and stable; but at a critical stage in the debt problem (eg spring 1987) their outcomes must be complemented — not replaced — by public decisions. Otherwise, the fears of private lenders, and their unwillingness to lend "new money" could induce just the sovereign defaults moratoria that they seek to anticipate. Such actions could endanger private banks' stability, and hence capacity to lend—and thus the growth of rich and poor countries alike. If these endangered goals are "public goods," like locust control or prevention of infectious disease, then public international action, even if temporary, is needed to secure them, at least when crises threaten. The stakes on all sides are too high for benign neglect.

(Professor) Michael Lipton,
(Dr) Stephany Griffith-Jones,
Institute of Development Studies,
University of Sussex, Brighton.

The environment is hostile

From Mr J. David.

Sir, — Your survey of pollution control (March 6) is evidence enough that pollution is now big business. As such it calls for a healthy scepticism on the part of responsible journalists in all the media.

That "hype" is part of the hazards pollution brings in its train because of the emotional nature of the "product" is unfortunate. Those who have a strong economic interest in advocating a "pure environment" mix with those who have an almost mystical belief in nature in making objective judgments virtually impossible.

Nowhere was this better illustrated than in Seveso which is still trotted out as a great tragedy/disaster while 10 years later no serious ill effects exist in the human population and the only fatality was the manager murdered by terrorists as punishment for an industrial accident.

The terrible tragedies of life, whether accidental like the ferry disaster or in health like the emergence into world prominence of the Aids virus, occur so easily simply because we live, thanks to a very delicate balance, with an essentially hostile environment. Out there there are things which will kill, eat, drown or otherwise harm you and your possessions. In the fight to maintain that precarious balance for an ever-growing population humankind uses weapons which require regulation and control, whether those weapons be in agriculture, fertilisers and pesticides, or in energy, fossil fuels or nuclear. The very processes of forging those weapons also has its dangers.

Perhaps the biggest threat that hype brings may be a loss of will to fight for our place in a hostile environment. Voltaire was right to remind us that we must cultivate our gardens.

J. David,
PO Box 18,
96 Bridge Road East,
Welwyn Garden City, Herts.

Battle against the Yuppies

From Mr M. Davison.

Sir,—The chairman of the Stock Exchange needs no committee to advise him on future uses for the old trading floor (March 3). He should instead make a direct approach to the new man at the V&A and suggest a permanent extension of that museum, along the lines of the Bethnal Green Museum of Childhood. Indeed, as the *latter museum appears to have* a space problem, Sir Nicholas might propose an overflow for it in Throgmorton Street. A permanent display of Hornby electric trains and Dinky toys would doubtless have a serious effect on absenteeism among middle-aged boys in the City, but it would be a welcome and decisive counterstroke in the battle against the frightful Yuppies!

Marcus Davison,
12 Amersham Road,
High Wycombe, Bucks.

Why pavements are scruffy

From Mr M. Ridd

Sir,—Not all of the blame for the scruffy and dangerous state of Britain's pavements should be placed on the country's local authorities as your report (March 4) suggests. A growing problem is the condition in which pavements are left after one or other utility company has dug its latest series of trenches. Nowadays it is not just gas, water, electricity or telephone companies which are the culprits but cable television and the installers of information technology services which require new underground lines such as optic fibres. It is an everyday occurrence for pedestrians to walk over or around the latest crudely filled trench, often forming an ugly scar across an otherwise well-laid pavement.

For the sake of safety and for the visual quality of our urban environment, would it not be possible for those who dig up our pavements to be made to re-lay them in their previous unspoilt condition?

Michael F. Ridd.
5, Woodside Terrace,
Glasgow.

Communications technology

From the Managing Director, Croydon Cable TV.

Sir, — Patrick Whitten (March 10) is right to insist that Britain's communications technology industry needs a clear policy.

In the last few years, the cable industry has come through a baptism of fire. Now we are rapidly creating a new industry. Apart from providing a multi-channel entertainment service, modern broadband cable systems can also provide high speed businesses transmissions, tele-shopping, telebanking, dedicated public service networks and a range of exciting services to consumers such as burglar and medical alarms.

Unfortunately, however, regulations introduced in 1983 to ease the transition from the British Telecom monopoly to a competitive high technology market are proving counterproductive. The duopoly of British Telecom and Mercury which effectively delays cable systems using their full potential until 1990 is counter-productive.

That's why the Government should lift the duopoly. Its served its purpose. It's time it went.

Alex S. M. Robinson,
Communications House,
Blue Riband Estate,
Roman Way, Croydon.

Who did what?

From Mr G. Davies

Sir,—In my constituency, tactical voting was said to have been unprecedented. It has been discussed in your columns. Perhaps some of the following happened. Some Conservatives voted SDP to keep out Labour. Some Labour voted SDP to keep out the hard Left. Some Conservatives voted Labour to stop a dangerous pre-election Alliance bandwagon. Some Labour voted SDP to start an Alliance bandwagon. Some Monster Raving Loonies probably voted SDP by mistake.

Did anyone vote for the candidate of their first choice? Did the SDP have any supporters of their own? And should tactical voting really be encouraged in our electoral system?

Gavyn Davies,
47 Ashburnham Grove SE10

FINANCIAL TIMES
Thursday March 12 1987

Robert Thompson in Peking assesses Sino-Japanese relations in the wake of China's political reshuffle

Tell-tale signs of a dwindling friendship

THE JAPANESE liked Hu Yaobang. The fallen Chinese Communist chief suggested to a Japanese delegation late last year that an ideal solution to the countries' serious trade conflict would be for each Japanese to buy a Peking duck. To emphasise the point, he flapped his arms, à la duck.

Hu, less haunted than most of his senior comrades by memories of Japanese wartime brutality, was demoted in mid-January. Since then, Sino-Japanese relations have been in steady decline, and diplomats warn that a crisis could come with the forth coming 50th anniversary of what China calls "the anti-Japanese war of aggression."

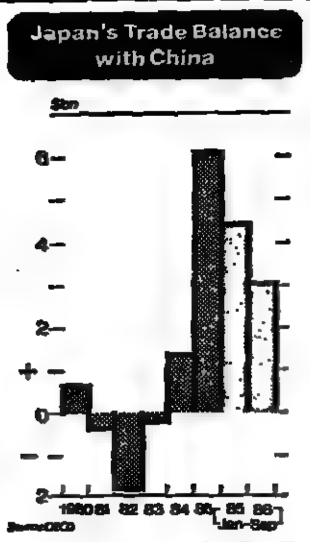
The present problems are a mix of the political and the economic. An odd dispute has arisen over the ownership of a Chinese student dormitory in Kyoto, prompting almost daily Chinese criticism of the Japanese Government.

A Japanese high court ruled two weeks ago that the building belongs to the nationalist Chinese on Taiwan and not to Peking. Newspapers here claim the decision "violated international law" and is a serious breach of friendship.

The wide coverage of the case by the local press is unusual. Peking usually leaves criticism of Japan to the foreign media, fearing that a latent dislike of the Japanese could be drawn to the surface, as it was in late 1985, when Chinese students protested against Japan's "economic invasion". Older Chinese people, unable to forgive Japan its wartime sins, still call the Japanese "devils" or, occasionally, "poisonous dwarfs".

What should be a useful economic relationship is stricken with problems. Japan's trade surplus last year was around $4b down from $6b in 1985, but still unacceptable to Peking. Zhu Rongji, the vice Minister of China's state economic commission, warned Japanese business leaders two weeks ago that economic relations would shrink unless the deficit was reduced significantly.

Hu Yao Bang – less haunted than senior comrades



Yasuhiro Nakasone – shrine visit still rankles

Japan is China's major trading partner, and yet it has been a minor investor, with its companies involved in only 7 per cent of joint venture projects and about 16 per cent in dollar terms. One Chinese official explained: "All they want to do is sell. They never invest. Just selling, selling."

Meanbwhile, those Japanese companies doing the selling have been hardest hit by China's chronic shortage of hard currency. Contracts worth Y40bn ($260m) have had to be renegotiated in recent months because Chinese corporations have been caught short by the jump in the yen's value.

China had also counted on Japan as a major source of tourism earnings. However, Japanese tourism increased by less than 1 per cent last year, after a leap of 26 per cent in 1985. A survey by Japanese tourist authorities has shown that just over 50 per cent of those who have visited China had a lousy time.

While the economic problems reflect the depth of the dispute, the greatest danger to long-term relations is the recent upheaval in Chinese politics, which has seen elderly leaders exert more influence, leaders less willing than Mr Hu Yaobang to forgive, and many of whom were in the army during the war.

They are incensed by the lift in Japan's defence spending to just above the threshold of just over 1 per cent of gross domestic product for 1987-88. The increase is a sign to Peking that "militarists," as China calls those responsible for the war, are still influential in Tokyo.

It is inopportune that the increase should come this year, since the Chinese are planning commemorative activities around July 7, the day on which Japanese soldiers set up an incident in 1937 on the Marco Polo Bridge, just outside Peking, to justify launching a war in which 20m Chinese died.

Chinese sources suggest that the anniversary will be marked by tough criticism of Japan, with a focus on recurring "militarism." It is also understood that Chinese leaders are angry that debts to Japan have mounted, since China was virtually forced to sell parts of the country in the 1930s to repay huge loans.

With good intent, the Japanese Government has a development loan programme that has been worth Y870bn since 1979, but the yen's appreciation will make repayment, due to begin in 1989, extremely difficult for a country already strapped for foreign exchange. Japanese sources suggest that a rescheduling of the debt is a strong possibility.

The bleak prospects for bilateral relations are disturbing Peking-based Japanese companies, several of which have reduced staff in recent months. At the height of the anti-Japanese protests in late 1985, the Japanese were advised by their government to stay away from areas with war symbolism. It was not easy. The photo cabinets that line many Chinese streets were then filled with examples of wartime atrocities.

Since then, billboards bearing advertisements for Japanese consumer goods have been removed from Peking's main street for what city officials said were "aesthetic" reasons, although the ugly past was obviously the main reason, and Hu Yaobang, who once dined three times in one week with the Japanese ambassador, has also been removed.

Hu was a major influence behind a visit last year by 3,000 Japanese students, and an invitation for a sudden visit by the Japanese Prime Minister, Mr Yasuhiro Nakasone. He also initiated a joint conquest of Mount Everest by Chinese and Japanese climbers. All three ideas were apparently thought unwise by older and more conservative colleagues.

For instance, those officials apparently considered that Mr Nakasone should have had something to offer before being invited – the main reason for the November trip wes a foundation-laying ceremony for a Sino-Japanese youth centre in Peking. Mr Nakasone is still disliked by several Chinese leaders for a 1985 shrine visit that they regarded as paying homage to "war criminals."

Then there are the occasional Japanese attempts to alter history by approving textbooks playing down war aggression. China is the most vocal critic of these exercises in revisionism, which reflect an unbowed nationalism that Peking finds insulting.

For two countries that have shared much in the past, and that have much to offer each other now, China and Japan have a relationship marked more by muddling than understanding. Officials are often extremely polite at the highest levels, but when it comes to the awkward issues, they don't know where to put their hands.

Brazilian troops occupy oil installations

BY OUR FOREIGN STAFF

TROOPS were in control of Brazil's ports and important oil installations yesterday as the Government of President Jose Sarney sought to end a wave of labour unrest with a show of force.

The Government sent thousands of troops, in some instances supported by tanks, to occupy nine oil refineries and six areas of oil production on Tuesday.

The decision by the Brazilian authorities to call in the armed forces to occupy the nation's 10 oil refineries reflects the deteriorating relations between President Sarney's Administration and the labour movement.

The growing unrest in the labour movement adds another unwanted dimension to the economic crisis which grips the country, which was the basis for Brasilia's decision to suspend interest payments on $68bn of its $109bn external debt last month.

The use of troops equipped with tanks and armed personnel carriers amounts to the biggest use of military force in the past two years of civilian Government.

The state oil company, Petrobras, requested the intervention because of a threatened strike today by 55,000 oil industry employees.

The Government had already despatched more than 1,000 troops to occupy main ports after a national seamen's strike was ruled illegal last Friday.

The strike by 40,000 seamen, now in its 13th day, has depleted Petrobras' oil stocks and represents a serious challenge to the Government.

The stoppage has delayed exports at a time when Brazil desperately needs foreign exchange.

The seamen are seeking pay rises of about 200 per cent and have rejected offers of up to 100 per cent pay rise. Oil industry workers are seeking a 71 per cent pay rise. Petrobras has offered 30 per cent.

There was no sign yesterday of an end to the strike, which has badly hit the port of Santos – the most important in South America – and the country's other big ports.

The failure of the Government to reach an accord with the unions on pay increases before it eased controls on prices had already unleashed a wave of labour unrest before Petrobras's workers decided to stage their "stay in" on Tuesday evening.

Over the past weeks the failure of last year's ill-fated and over-sold cruzado plan – which promised growth with little inflation – has lead to demonstrations by farmers over rising prices and to the first strike in 25 years by Brazil's dock and ship workers. The navy and marines have been used in the latter instance to protect shipping in the nation's ports.

Retail prices in Brazil have been growing at alarming rates and in response workers have sought substantial pay rises. As yet, however, it remains unclear what policy the Government has to cope with the growing labour unrest.

OECD rule could hit UK-Soviet trade

By Peter Montagnon in London

CHANGES to the international rule on government guaranteed export credits, due to be decided by the OECD this weekend, could hamper British companies seeking business under the recent UK trade finance agreement with the Soviet Union.

The changes, which have been under discussion for several months, are designed to put an end to the export-credit war in which industrial countries vie for business in developing countries by mixing aid with conventional export credits.

However, part of the package, which has been endorsed by the US and the EEC and is now awaiting approval from Japan, calls for the effective elimination, from July next year, of interest rate subsidies for export credits to richer developing countries, including the Soviet Union.

Under its agreement with Britain, the Soviet Union insisted on fixed rate sterling finance being made available at 7.8 per cent, a rate which already involves an additional subsidy from exporters on top of the Government's standard export credit subsidy.

Export credit bankers said that if the Government's subsidy was now withdrawn, exporters could face large extra costs which would deter them from seeking business under the protocol.

It is still not certain whether existing arrangements such as the ECGD protocol with the Soviet Union would be altered under the new package.

If they are not, exporters would have to rely on Soviet willingness to accept lower cost Ecu finance instead of sterling

FitzGerald quits after Fine Gael defeat

Continued from Page 1

to grips with the party and to prepare for an election.

Dr FitzGerald, who will move to the backbenches for the first time in 22 years in parliament, said his departure would not alter Fine Gael's decision to support Mr Haughey if he takes tough action on Ireland's shaky public finances in the budget due within a few weeks.

Mr Haughey, Dr FitzGerald's often bitter rival in four elections, was among a host of Irish political leaders to pay warm tribute to the Fine Gael leader, a popular figure whose main achievements included strenuous efforts to find a settlement in Northern Ireland, including the Anglo-Irish agreement, and powerful advocacy of Ireland's position within the European Community.

He also wrought radical changes in Fine Gael, giving it a strong liberal streak on social issues and committing it to reducing the state's involvement in the economy. This went against a still influential conservative element in the party, and the succession contest will indicate the line Fine Gael is likely to adopt in future.

Mr Barry is regarded as being closer to the "old guard" than Mr Dukes and Mr Bruton, who are strongly identified with the liberal wing.

Dr FitzGerald was widely regarded, not least in Britain, as one of the most impressive leaders Ireland has produced. Yet he had only mixed success in achieving the main targets he set himself as a politician.

His greatest triumph was the Anglo-Irish agreement on Northern Ireland, signed in November 1985 after a year of painstaking negotiations with the British. For the first time since the partition of Ireland in 1922, he won agreement from London that Dublin should have a formal input in Northern Ireland policy-making. It is spoken of by its many supporters as the most important step forward for Irish nationalists since the island was divided.

However, the agreement was forged at a price, on what had been the central tenet of Dr FitzGerald's stance on the north. The son of a northern Protestant, Mabel McConville (who was none the less a militant nationalist), he had long argued that no settlement could be found in Ulster without the consent of the unionist, Protestant majority there. The utter, and continuing, rejection of the Anglo-Irish agreement by the unionist community has denied that.

In the south, his efforts to lead what he called a crusade to make the Republic a more pluralist society, less dominated by Roman Catholic dogma and more attractive to northern Protestants, ran into the sands. During his four-year government just ended, constitutional prohibitions on divorce and abortion were endorsed by majorities in referendums.

From a unionist point of view, little has changed since he said a few years ago on Irish radio: "If I were a northern Protestant today, I can't see why I would be attracted by a state which is itself sectarian."

An economist and former journalist, Dr FitzGerald spent much of his effort since he entered the Irish parliament in 1965 on the economy. As Prime Minister, briefly in 1981 and then from November 1982 onwards, he battled, with some success, to regain control over the public finances which previous borrowing sprees had left heavily in debt, with depressing effects on growth.

Dr FitzGerald was not shy of defending Ireland's special interests as a relatively poor, agriculturally-based member of the EEC. When the Community introduced milk levies to curb over-production, Dr FitzGerald used all his negotiating skills to secure generous concessions for Irish dairy farmers.

Back home, Dr FitzGerald's professorial manner earned him a reputation for political naivity, in contrast to the scheming, cunning image of Mr Haughey.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	6	43	Dubrovnik	S	6	43	Malta	S	11	52	Rhodes	F	13	55
Algiers	S	18	64	Edinburgh	S	5	41	Manchester	S	5	41	Rio de J'o	C	33	91
Amsterdam	S	3	37	Faro	S	18	64	Manila	—	—	—	Rome	S	9	48
Athens	F	9	48	Florence	S	7	45	Melbourne	S	23	73	Salzburg	S	2	36
Bahrain	S	27	81	Frankfurt	S	3	37	Mexico City	—	—	—	San Francisco	C	12	54
Bangkok	—	—	—	Funchal	F	19	66	Miami	S	13	55	Seoul	S	7	45
Barcelona	C	13	55	Geneva	C	1	34	Milan	F	3	37	Singapore	F	31	88
Beirut	—	—	—	Gibraltar	C	15	59	Montreal	F	-15	5	Stockholm	S	1	34
Belfast	S	6	43	Glasgow	S	5	41	Moscow	C	-2	28	Strasbourg	S	3	37
Belgrade	C	-3	27	Guernsey	S	6	43	Munich	S	-1	30	Sydney	F	21	70
Berlin	S	0	32	Helsinki	S	-1	30	Nairobi	F	29	84	Taipei	C	19	66
Biarritz	S	15	59	H. Kong	C	22	72	Naples	S	7	45	Tangier	C	18	64
Bombay	F	28	82	Innsbruck	S	3	37	Nassau	—	—	—	Tel Aviv	F	16	61
Bordeaux	C	12	54	Inverness	S	3	37	New Delhi	F	21	70	Tenerife	C	21	70
Brussels	S	4	39	Islamabad	—	—	—	New York	S	-8	18	Tokyo	C	5	41
Budapest	F	2	36	Istanbul	F	0	32	Nice	S	6	43	Toronto	F	-8	18
B. Aires	—	—	—	Jakarta	—	—	—	Nicosia	—	—	—	Tunis	F	12	54
Cairo	C	19	66	Jersey	S	7	45	Oporto	S	19	66	Valencia	D	13	55
Cape Town	S	22	72	Jo'burg	S	25	77	Oslo	S	-2	28	Venice	S	4	39
Caracas	—	—	—	Lima	—	—	—	Paris	S	5	41	Vienna	S	-1	30
Casablanca	C	19	66	Lisbon	S	16	61	Peking	S	9	48	Warsaw	S	-5	23
Chicago	F	-6	21	London	S	7	45	Prague	F	-3	27	Washington	F	-4	25
Cologne	S	5	41	Los Angeles	C	13	55	Reykjavik	C	7	45	Zurich	S	1	34
Copenhagen	S	0	32	Luxembourg	S	3	37								
Corfu	S	9	48	Madrid	C	13	55								
Dallas	C	4	39	Majorca	F	14	57								
Dublin	S	9	48	Malaga	F	16	61								

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

£ continues to rise ahead of budget

Continued from Page 1

ever, if markets continue rising in a favourable reaction to the Chancellor of the Exchequer's package.

UK money market interest rates eased further yesterday and the key three month interbank rate now discounts another cut in base lending rates to 10 per cent.

Sterling has seen massive inflows in recent days in the short-term at least, there appears to be a growing feeling that the pound's strength can be maintained and is a proper reflection of fundamental improvements in the performance of the British economy.

This greater than usual measure of faith in sterling has strongly underpinned UK Government bonds. Yields have for a very long time looked attractive compared with the returns available on other international bond markets but a perceived currency risk had kept overseas buyers away.

Firmer crude oil prices, another factor which has worked against sterling in the past, also helped to underpin yesterday's rally on the foreign exchanges.

In London, sterling ended at 72.7 against a basket of currencies compared with Tuesday's closing 72.1. It closed at $1.5910 from the previous close at $1.5845 and at DM 2.9775 after DM 2.9400.

Lucy Kellaway in London writes: Oil prices continued to rise yesterday, with the price of Brent crude for delivery in April oil breaking through $18 a barrel, the average official Opec selling price, to end at $18.85, about 30 cents higher than Tuesday's close.

Over the past 10 days, the price has risen by more than $2, as traders have become increasingly optimistic about the chances of Opec holding together an agreement on prices.

Strong commitment by members of the cartel was confirmed yesterday by Mr Rilwanu Lukman, president of Opec. He said that Opec production during February was 900,000 barrels a day below the official ceiling of 15.8m b/d.

The market was also yesterday stimulated by figures from the American Petroleum Institute which showed a marked decline in refinery runs last week.

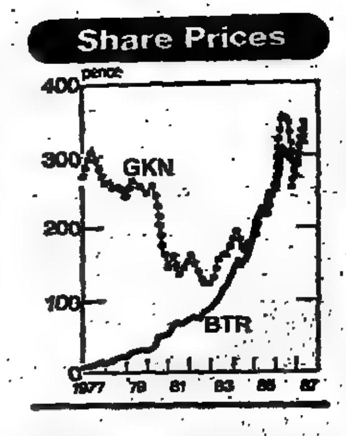
THE LEX COLUMN

A tale of six consonants

It would be regrettable if GKN were put off its policy of honesty by the reaction of the shares to the statements accompanying each set of figures. Yesterday's 26p fall to 320p indicated less of a deflation of hopes than the 56p slump to 290p which followed the interim figures. But once again the message from the company along with flat 1986 profits had to be that the stockmarket was over-optimistic about GKN's prospects. Unfortunate victim of its markets it may be, but that is what makes for low ratings. And in the short term at least it looks as though the prospective yield of around 6.2 per cent will provide more support than the likelihood of a current year multiple of 11.

Almost certainly the figures will get worse before they get better. In the first half of 1987 GKN will be comparing with the better part of last year – before it was hit by price cutting on constant velocity joints in the US and the worsening yen/dollar rate on the US importing business. Those two problems have yet to be righted, and now GKN has to carry losses during the production build up of its Warrior military vehicle. At the same time the sterling/dollar rate is worsening and it may take a while to recoup elsewhere the business lost in West Germany through the strength of the D-Mark. From the half year onwards the background will start to improve, and 1988 promises the next gear change.

Apart from trading, though, the market is distinctly nervous of new shares either from a rights issue to reduce the 50 per cent gearing, or the purchase of Royal Ordnance. This fear is exaggerated in that GKN's ACT backlog is so large that extra UK profits would tend to concentrate rather than dilute earnings. But it does mean that there is no hurry to buy.



Market quality

Statistics and common-sense observation are frequently at odds. The stock exchange computers suggest, quite reassuringly and not implausibly, that the market has improved markedly in both liquidity and depth since the new trading system came into operation. The ability to handle big bargains without disturbing the ruling price seems to have been considerably enhanced, while the proportion of large equity bargains (more than 1m shares) in a much-increased overall turnover has more than doubled. The statistics do not, however, quantify the proportion of trades that are generated by insiders; if yesterday's news is any guide, the stock exchange's figures will have to be supplemented by a report from the SEC – or, eventually, the DTI – before any firm conclusions about market quality can be drawn.

BTR

For BTR, on the other hand, the chances of anything resembling a rights issue can be almost indefinitely ruled out. Gearing dropped in 1986 by no less than 40 points, so that a company which specialises in post-acquisition ratios of one-to-one or worse ended the year with debt at barely a quarter of shareholders' funds. Since the interest charge virtually halved, and there was a handy reduction in pension contributions, it appears – an optical illusion, surely – that BTR could have pushed pre-tax profits ahead by nearly a quarter without any improvement in the operating numbers.

Fortunately, the contrast with hard times at GKN is every bit as pronounced at the operating level. Though turnover growth was minimal, BTR has managed to increase its operating margin by a fifth, to a shade over 13 per cent. There are a few red underlinings in Sir Owen Green's management notes, to show that not every component in the BTR machine has done its stuff; but region by region the story reads as one of consistently successful fine tuning. And there is also evidence that reinvestment, notably in the paper machinery business, and in the Dunlop companies (where there had been years of cash starvation), is starting to pay off handsomely. Assume some increase in volumes, which BTR makes a point of flagging, and the progress in 1987 could be quite something – even without a Pilkington. To have taken 8p off the shares, which ended at 338p, seems churlish, but then yesterday was not much of a day for equities.

Hillsdown

The stock market is a peculiar place – if indeed it is still a place. After Hillsdown Holdings turned in a tremendous 34 per cent increase in earnings per share to 16.3p, the shares slid by 10p to 271p. Because the tax charge, at under 14 per cent was lower than expected, the earnings were that much higher. But the market has not increased its estimate for this year's earnings. So, by stock market logic, that means a downwards revision of the earnings growth projected for 1987, and naturally the rating has suddenly appeared more demanding.

This is Alice in Wonderland stuff, but there are valid reasons for viewing Hillsdown's premium multiple with a degree of caution. There are 40 per cent more shares in issue than there were on average last year, and the tax charge is destined to rise steadily over the next two years. While Hillsdown's ability to increase the returns from its host of recently acquired businesses is not in doubt, the downward pressures on earnings are greater than ever before, despite the formidable assistance of £70m of tax losses.

Yet the leverage involved in playing with such fine margins is a potent attraction. Last year's achievement of squeezing an extra third of a percentage point out of the return on sales meant that margins have increased by 11 per cent. The sums are even more impressive now that Hillsdown is turning over about £2.5bn on an annual basis.

Not that Hillsdown needs to justify its existence by its ability to acquire businesses through astute use of highly valued paper. Never mind earnings per share: these preliminary figures show organic growth in operating profits of 30 per cent.

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INTERNATIONAL APPOINTMENTS

Rhone-Poulenc lures back former managing director

BY GEORGE GRAHAM IN PARIS

RHONE POULENC, the French state controlled chemicals group, has lured back one of its exiled managers to resume his old post of managing director.

Mr Jean-Marc Bruel will be rejoining Rhone Poulenc, where he has spent the majority of his career, after a two year spell at Sandoz, the Swiss chemicals company.

Mr Bruel joined Rhone Poulenc in 1962 and rose to become deputy managing director in 1980, and managing director in 1982, on the eve of the company's nationalisation. He was confirmed in this post by the incoming chairman, Mr Loik Le Floch-Prigent, but left Rhone Poulenc two years later after management disagreements.

His appointment completes the new board installed by Mr Jean-Rene Fourtou, the chairman nominated by the incoming right wing government last year.

* * *

MR FERDINAND BEICKLER, 64, president of General Motors Europe in Zurich, will celebrate his 50th anniversary with GM on March 31, and then retire from active daily responsibilities.

Mr Beickler it as the same time being nominated by General Motors Corporation for election as chairman of the supervisory board of Adam Opel AG, where he was managing director from 1982 through 1986.

Mr John F. Smith Jr. has been appointed president of General Motors Europe, in succession to Mr Beickler. Mr Smith, 48, has been executive vice president of GM Europe in Zurich, with responsibility for operations and engineering. He had, before moving to Europe in 1986, been president and general manager of General Motors of Canada. He had been GM's director of worldwide product planning. Smith has been a vice president of general motors corporation since 1984.

* * *

MR BURTON B. STANIAR is to be chairman and chief executive of Westinghouse Broadcasting Company, the subsidiary of Westinghouse Electric Corporation, the diversified Pittsburgh-based group with interests in electronics, electrical energy, construction and finance, as well as broadcasting.

Mr Daniel L. Ritchie is to resign from these posts on May 1, in a move planned for some time, to devote himself to personal and charitable interests.

Head for Eastern Japan railway

THE Japanese Government has appointed Mr Isamu Yamashita, adviser to Mitsui Engineering and Shipbuilding company, chairman of Eastern Japan Passenger Railway Company, reports Kyodo from Tokyo.

Eastern Japan is to be established on April 1 as one of 11 *new railway companies to take* over after the planned break-up and privatisation of the Japanese National Railways (JNR).

Mr Shoji Sumita, former Vice Transport Minister, is to be president of the new company, the largest among those to be established. It includes *six regional passenger railway* companies and one freight service concern.

Top executives of 10 other firms were selected earlier, helping to pave the way for the start-up of the companies to take over from the JNR, with a combined workforce of 205,586.

Switch near top of Minstar

MINSTAR, the holding company of Mr Irwin Jacobs, the US financier, has appointed Mr Kenneth J. Severinson president and chief operating officer.

Mr Severinson succeeds Mr Jacobs, *who remains, however* chairman and chief executive. Mr Severinson has been lately president of Minstar's energy services group.

Directors for Guy Carpenter

GUY CARPENTER & Company, the reinsurance brokers, has announced that Mr Clemen S. Dwyer, Jr., Mr Robert J. Rock, and Mr Robin C. Watts have been elected to its Board. The company is in the group of Marsh and McLennan Companies, of New York.

Mr Dwyer, 38, joined Guy Carpenter in 1970, and is a senior vice president. Mr Rock, *62, joined in 1978 and is cur*rently senior vice president and head of the facultative division. He was formerly a director of C. T. Bowring (Insurance) Holdings. Mr Watts, who is 51, joined the company in 1970 and is senior vice president in the casualty department.

Wardley in strategic New Zealand move

BY DAI HAYWARD IN WELLINGTON

HONGKONG and Shanghai Banking Corporation has appointed Mr Michael Dennis to the new position of chief executive of Wardley New Zealand, part of its merchant banking arm. The move is seen in New Zealand *as a step* towards applying for a banking licence.

The New Zealand Government's deregulated banking legislation allowing overseas institutions to register as a bank comes into force on April 1. Mr Dennis has said the decision on whether to apply for a banking licence is still being considered in Hong Kong.

At present Mr Dennis is regional manager international (South East Asia-Australasia) with responsibility for operations in several countries including New Zealand.

Wardley is strengthening its New Zealand office with the appointment of Mr Jeff Eglington, at present working in the Hong Kong office, as overseas operations manager in New Zealand. It also plans to localise the companies foreign *exchange dealings* in the country.

Our financial staff adds: In other moves Mr John Bond has been appointed general manager and chief executive, Americas, of the Hongkong and Shanghai Banking Corporation, in succession to Mr Angus Petrie, who is to retire in June.

Mr Bernard Asher will be appointed chief executive of Wardley Holdings Ltd and chairman of Wardley Ltd with effect from May to succeed Mr Bond.

Mr Aman Mehta has been appointed senior manager planning, in the group head office.

Guinness America change

GUINNESS PLC has announced that Mr William G. Pietersen has been named president of Guinness America Inc, taking on a role additional to that of president of the company's North American wine and spirits operations.

Mr John M. Huston has been appointed vice president, finance, of the North American subsidiary, which has also set up offices of vice president, general counsel and vice president, human resources.

Mr Donald J. Lunghino is to be general counsel on an interim basis. Mr Lunghino recently retired as general counsel of Unilever United States.

Accountancy Appointments

Accountancy Appointments

ENTERTAINMENT INDUSTRY

London

This publicly quoted international entertainment conglomerate with an impressive track record of growth and a reputation for innovative ideas wishes to strengthen its central management team by recruiting two high profile financial managers for its corporate head office.

GROUP FINANCIAL CONTROLLER

c.£35,000 + car + benefits

The Group Financial Controller will have a wide ranging brief which will include the co-ordination of the work of the financial executives in largely autonomous operating divisions, budgetary control and management accounting, compliance work and assistance with investigations into acquisition opportunities. Working closely with the Board there is considerable scope for the right person to contribute positively to the commercial development of the Group. Reference 1538/1/L.

CORPORATE FINANCE

c.£35,000 + car + benefits

Working closely with the Group Finance Director and the directors of the operating divisions, the role encompasses responsibility for the evaluation of potential growth opportunities through acquisition and will require a significant involvement with the Group's operational control and corporate planning activities through business analysis and performance reviews. Reference 1538/2/L.

Candidates for both positions will be graduate accountants, preferably chartered, with a strong commercial background and a demonstrably successful track record in a fast moving service related industry group. The successful candidates will be 'ideas' people willing and able to apply innovative solutions to business problems. Good communication skills and commitment are essential. In both cases the remuneration package is negotiable and includes a car, annual bonus and possible share options.

Please write, in confidence, quoting the appropriate reference to Anne Routledge, Executive Selection Division.

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You will be a qualified accountant, computer literate with strong commercial awareness and at least two years post qualification experience. The ability to be creative, to influence and to challenge conventional views is essential. Starting salary will depend upon experience.

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It's a demanding role, for which we are looking for someone with an exceptional background and all round ability. Your background may be pure accountancy, probably with a 'big eight' firm; you may have impressive commercial, managerial or consultancy experience, or you may have performed a similar function within a large industrial group. Systems experience, a working knowledge of American Accountancy Standards, and a European language are also important. It's unlikely that anyone under thirty would have the necessary breadth of experience.

Your commercial acumen, commitment to results and communication skills will prepare you well for your next role within the company. Promotion is always on merit, and this position has proved a valuable jumping-off point for previous high-performing appointees. This is definitely a company who regard their personnel as a vital resource for the future.

To apply, please write with a full career resumé to David Konrath, at the address below, enclosing separately a list of any companies to which your application should not be forwarded.

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Finance Director
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Our client is at the forefront of cable technology and aims to provide a wide range of new applications to serve the public and business communities.

As a result of internal reorganisation they are currently seeking to recruit a Finance Director to assume total responsibility for the finance and company secretarial functions. Specific duties will include financial/strategic planning and business development.

Candidates, aged 32-40, should be qualified accountants with a strong background in the communications/telecommunications industry. Experience of USM flotation would be advantageous as there will be considerable exposure to financial institutions and the City. Strong communicative skills and commercial flair are essential qualities.

The remuneration package is negotiable to include substantial salary package, share option scheme and executive car.

Interested applicants should write enclosing a comprehensive CV to Stephen Doyle ACA, at Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor SL4 1BG quoting ref: SV 1052.

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Financial Executive
Business Development

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Candidates, aged 28-32, must be graduate accountants, preferably MBA's, with experience of similar work including accounting for overseas subsidiaries in a sophisticated multi-national organisation. Vitally, they must have the intellectual, technical and commercial ability to succeed in a highly meritocratic environment.

Remuneration by justification, with basic salary in excess of £30,000, total package significantly greater.

Please reply in complete confidence to Digby M. Dodd, Bull Thompson and Associates Ltd., Alliance House, 63 St. Martin's Lane, London WC2N 4JX, enclosing full details and quoting Reference 1205.

Bull Thompson
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Deputy Taxation Manager

c £30,000 plus car

Our client is the parent company of a large multinational group. They are seeking a deputy taxation manager to be primarily responsible for UK tax matters.

This key executive will be responsible for providing a compliance, planning and advisory service to senior management. Technical competence will have to be matched by personal qualities: a self starter, willing to get involved with detailed activities and an effective communicator.

Candidates should be qualified (ACA or ACCA) and preferably members of the Institute of Taxation. They are expected to have worked at a senior level for several years in a significant company, professional practice or the Inland Revenue.

In addition to salary and quality car the position carries an impressive benefit package fully in line with expectations of a major international group. The position is based in central London.

Please write, in confidence, to Roger Shipton (ref 2007).

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70 Finsbury Pavement London EC2A 1SX.

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Hyster (NI) Limited is the Northern Ireland subsidiary of Hyster Company, a leading manufacturer of materials handling equipment worldwide. It is situated in pleasant rural surroundings close to the major motorways and international airport. The plant manufactures lift trucks for sale throughout the world.

The Financial Controller reports directly to the Plant Manager and has responsibility for all finance functions including Financial and Cost Accounting, Treasury and Financial analysis. A key factor is the ability to communicate fast, accurate information to Plant and Divisional Management.

Applicants who hold a recognised accounting qualification, will probably be in their mid 30's and should be able to demonstrate experience in an international manufacturing environment at management level. Experience of working with integrated management information systems will be advantageous.

An attractive employment package will be offered including company car, contributory pension/life assurance, BUPA and discretionary bonus. Relocation assistance will be provided where necessary.

Please write to Richard McRobert with detailed curriculum vitae, or telephone for an application for, quoting Reference Number 782/FC.

No information will be released to our client without your agreement following a preliminary discussion with our consultant.

[illegible]

HYSTER

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We want an achiever who is hungry for success, highly commercial, enjoys hard work, and a good communicator. The management style is entrepreneurial and demanding. A company car will be provided, and tangible results will be rewarded exceptionally well.

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Applicants should have experience of working in a similar department and have proven management ability. Experience of NMW computer systems would be a distinct advantage. He or she should enjoy working in a busy environment, be capable of working effectively under pressure and must be willing to work long hours when required.

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Applications, together with full CV, should be addressed to Mr L.J. Brady, Office Manager.

Stancliffe Ltd.
MEMBER OF THE STOCK EXCHANGE

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If you are interested in becoming a consultant with McKinsey, and consider that you have the necessary qualifications, please send a complete CV to Ian Davis at 74 St. James's Street, London SW1A 1PS. We will, of course, ensure strict confidentiality.

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Our client is one of the banking and financial services majors which wishes to strengthen a small, dynamic financial team at corporate centre involved with the analysis and creative development of a wide range of strategic issues.

They now have a vacancy for an outstanding business graduate, MBA or accountant with a flair for financial analysis which has been applied to treasury and balance sheet management within a large business.

The initial role will involve the analysis of the Group's balance sheet positions, the development and implementation of interest rate risk measurement techniques and the evaluation and monitoring of treasury and investment portfolio performance. The ability to quickly assume primary responsibility for this work will be important.

Career development opportunities are excellent. Location–City.

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In addition to being a highly motivated achiever, the candidate will have enjoyed a successful career in a commercial environment with a major organisation. Experience of effective reporting to tight deadlines is essential, as are excellent interpersonal skills and the ability to work with minimal supervision.

Prospects for promotion within this dynamic group are excellent and the candidate should be aware that the highly visible nature of this position will ensure that their maximum potential is realised.

If you are a graduate accountant qualified with any of the professional institutes, please contact Keith Allen for further information on 01-930 7850 or write enclosing brief details to the address below.

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Director of Finance and planning

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Informal discussion will be welcomed by Catherine *McLoughlin, District* General Manager on 01-808 1081 ext 101.

An information package is available from the District Personnel Dept, Mountford House, The Green, Tottenham, London N15 4AN. Tel: 01-808 1081 ext 107 quoting ref DO11/FT.

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Taking overall control of a strong accounting team, initial responsibilities include the establishment of efficient computerised financial systems and a review of the companies administrative procedures. The position will also involve extensive liaison with the company's professional advisors and the preparation of contracts.

The appointee will become a key member of a talented executive team in the development of financial strategies and corporate planning by demonstrating an ability to innovate and contribute both intellectually and commercially. This is a challenging opportunity for a qualified Accountant with a successful and stable track record, ideally with experience of a service-based industry. Previous exposure to U.S. accounting requirements will be a distinct advantage.

Applications will be treated in the strictest confidence and should be sent to our consultant, Martin Humberstone.

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Accountancy Appointments

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Please write in confidence, quoting reference M6173/L, to Catherine Rowan, Executive Selection Division.

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Chief Accountant

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The position, having arisen due to the companies growth, is a new one at a major division of this substantial group who are a significant force within their sector.

The function will be the principal source of regular and sound financial information covering both operating units and the division as a whole ensuring that it meets all fiscal and managerial requirements to tight deadlines.

Candidates, age mid/late 20's, should have sound technical ability, enjoy the prospect of managing a highly motivated staff and have the strength of personality to cope with requirements to tight deadlines within a high growth environment.

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97 Jermyn Street,
London SW1Y 6JE.
or telephone: 01-839 4572

Cartwright Hopkins
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South West

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The Managing Director has total responsibility to the Chairman and the Board for the management of the Company, for developing and implementing the strategic plan and for the development of new business and services.

Candidates in their late 30's or 40's will be able to demonstrate a high level of commercial awareness, and a successful track record in the management of a business in the financial sector.

For the right candidate the salary and benefits package will be excellent.

For further information, please write quoting reference number 4185 to Michael Witcher, Inbucon Management Consultants Limited,
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Financial Operations Manager

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Our client is a leading multinational manufacturer and supplier of mini computers with a world wide turnover of some $1.5 billion. Operating in this dynamic sector of the industry the company has a very strong product line and enjoys an excellent reputation for price/performance. Due to internal promotion they now seek to appoint a Financial Operations Manager for the UK subsidiary which, with a turnover of around £100 million and some 700 employees, is the largest subsidiary outside the US.

You will be responsible for financial accounting and monthly reporting to the US parent, management accounting, planning and forecasting, cash management, tax planning, statutory accounting matters and ad hoc project work. Reporting to the Area Controller you will supervise 16 staff.

Candidates should be Graduate Qualified Accountants aged 27-32 with an excellent track record in a related industry and possess a strong personal presence, commercial awareness and well developed man management skills. Career prospects are outstanding.

The company offers an attractive package including company car, pension scheme, private medical scheme and share options.

Interested applicants should contact
Mark Carriban ACA on 0753-856151
or write to him at Michael Page Partnership,
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quoting reference SV 1053.

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DOW

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As the sixth largest chemical company in the world, we know that our continued development depends on the successful management of our most important asset – our people. With this in mind we are very selective about the individuals we recruit. As a newly qualified accountant with a professional approach, a strong business acumen and the determination to succeed, you will be selective about the organisation in which you choose to develop your career.

Dow Chemical is a major international organisation with extensive interests in speciality chemicals, plastics, pharmaceutical and agricultural products. Dow in Britain employs 750 people throughout our two manufacturing sites, research facilities and sales offices.

As a further commitment to the future we are now keen to recruit qualified people for our accounting teams in Norfolk and Middlesex. You can expect a highly competitive salary accompanied by an attractive benefits package and relocation assistance where appropriate. We have the ideas, if you have the innovation and initiative to meet the challenges and reap the rewards.

Please send full career and salary details to our recruitment consultant, Mrs Jennifer Baker, LINK Management Selection, 24 Buckingham Gate, London SW1E 6LB. Telephone: 01-834 3777.

LINK
MANAGEMENT
SELECTION

Financial Controller/Director Designate

Thames Valley — **c. £30,000+car+benefits**

Our client is an aggressively expanding company involved in the manufacture and marketing of speciality chemicals. The £40m U.K. division of this billion dollar multi-national is seeking a Financial Controller who will ultimately assume the responsibilities of Financial Director for a Group approaching £100m.

Reporting to the Chief Executive, you will have overall control of the financial function and play a major role in co-ordinating, focusing and controlling the business activities and strategies necessary to achieve continued growth.

The key ingredients of success will be your ability to lead, motivate and direct a team, together with the business acumen to provide first class commercial input into every aspect of the operation.

A graduate accountant (ACA/ACMA) ideally in your 30's with strong commercial awareness, you'll have well developed financial management experience, preferably gained in an international manufacturing environment.

A very competitive salary package will be offered to attract a particularly high calibre executive with the determination to succeed in a fast moving and challenging competitive environment.

Please write with full cv, quoting ref. 4473, to S. Stephenson, Moxon Dolphin & Kerby Ltd., 178-202 Great Portland Street, London W1N 6JJ, listing any companies to whom you do not wish your details sent.

MOXON·DOLPHIN·KERBY
EXECUTIVE SEARCH & SELECTION

Company Accountant

South London

c£22,000 + Car

This is an outstanding opportunity to join a small but expanding sales and distribution operation. The company is positioned strongly in a market sector where it has built an enviable reputation for quality. Current turnover is in excess of £7 million and the company is committed to expansion.

The company is seeking a well experienced Company Accountant whose skills will complement the experience of a management team engaged in developing a profitable operation. The Company Accountant will report to the Managing Director and have responsibility for day to day financial management, including the preparation of accounts, planning and budgeting and ensuring the implementation of proper controls.

Candidates should be accountants in their 30s with experience in a sales and distribution company. A background in developing and implementing effective computer based management information systems is important. This should be combined with strong, practical accounting skills and a flexible and results oriented approach to management.

Please reply in confidence, giving concise career, personal and salary details, quoting **Ref: 917**, to **Michael Fahey, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Financial Controller

Stockbroking

North West — **c£22,500+car**

Our client operates from three offices in the North West. It is now owned by a large international (but British) financial institution and is able to foresee long-term growth with adequate funding.

Financial and office services are being reorganised to accommodate expansion and a Manager is required to take responsibility for financial control and settlement services to Stock Exchange regulatory standards, client services and general administration. The position will report to the Finance and Administration Director.

Candidates should be either qualified accountants with a background in a financial services field, or, securities industry Back Office Managers. Chartered Accountants with financial services audit experience may well be suitable candidates.

Salary is negotiable on experience with benefits including a car and profit related bonus. The position is pensionable and relocation expenses may be paid in appropriate cases. Prospects are good in line with the projected business development. Suitably qualified men and women should forward a full CV with salary details in complete confidence and quoting reference LM867 to Terry Fuller, Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP. Interviews will be held at the client's offices.

Spicer and Pegler Associates
Management Services

FINANCE DIRECTOR (DESIGNATE)

Cardiff — **c. £21,000 + Profit Share + Car**

Christie-Tyler PLC, the leading furniture manufacturer in the UK and a member of the Hillsdown Holdings Group, has a vacancy for a Finance Director at one of its subsidiary companies. The company, which is based near Cardiff is fully autonomous and a market leader within the upholstery industry.

Candidates, preferably between 28 and 40 years, must be qualified Accountants with previous experience at a senior level in industry or commerce. The person must have sound commercial awareness and be prepared to take an active role in the general management and development of the Company in addition to controlling all financial and administrative aspects.

This is an excellent opportunity in an interesting environment and offers good prospects for further career development within the group. The package includes a basic salary of £21,000 plus a bonus based on results together with benefits which include a car, pension, free life assurance and BUPA.

Please apply with full career and personal details to:
K.C. O'Sullivan, FCA, Finance Director,
Christie-Tyler PLC, Brynmenyn, Bridgend,
Mid Glamorgan CF32 9LN.

CT

FINANCE DIRECTOR

LONDON

We are an expanding fully-quoted Group incorporating financial services and motor industry divisions.

The Finance Director, who is a member of the Main Board, in addition to heading up the finance function is expected to work closely in support of the Chairman and Chief Executive. Candidates, in the age range of 35-45, will be profit-orientated qualified accountants with wide-ranging and relevant experience, including the leasing industry and currently working as a Finance Director or Financial Controller in a medium-sized industrial service company. They will have been fully involved in the process of commercial development and business planning in a successful, fast-moving team environment.

This is a stimulating and challenging opportunity to a self-motivated and energetic individual. Remuneration package negotiable.

Apply in confidence to:—

The Company Secretary
EQUITY & GENERAL PLC
66 Gosvenor Street, London W1X 9DB

Accountancy Appointments

Appointments Advertising

£43 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information call:
Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782
Emma Cox 01-236 3769

Financial Services
Young ACA's

£20K – £25K + Banking Benefits

The Hongkong and Shanghai Banking Corporation is one of the world's leading international banking groups. Recent developments in the group's services have created opportunities for three ambitious young chartered accountants.

As members of a small team you will be responsible for reviewing and appraising the group's activities, controls and information systems in the Merchant Banking, Leasing, Insurance, Stockbroking and Commodity Broking areas.

These are high profile and demanding roles and applicants must demonstrate a determined self-motivated approach, be able to communicate effectively with senior executives, and have an analytical approach combined with the ability to adapt quickly to new situations. Based in the City the posts will involve some travel overseas to the world's major financial centres.

The successful candidates are likely to be newly or recently qualified ACA's who have experience of financial services through their training with one of the major professional firms.

Remuneration will be in the range £20,000–£25,000 depending upon experience with generous banking fringe benefits including mortgage subsidy, non-contributory pension scheme, life assurance and BUPA.

Please write with full career details or telephone:

Mike Allsop,
Manager Financial Services Audit,
The Hongkong and Shanghai Banking Corporation,
99 Bishopsgate,
London EC2P 2LA.
Tel: 01-638 2366.

HongkongBank
The Hongkong and Shanghai Banking Corporation

Financial Controller

East Midlands

c£23,000 + Car

This client is a highly profitable and acquisitive publishing plc whose commitment to a policy of continuing growth has enabled a doubling of pre-tax profits in the last two years. To achieve this success the company has adopted a style which is both entrepreneurial and decentralised, allowing each operating division real autonomy and control over its own future.

One of the largest division, t/o c£35m, shortly expecting to complete acquisitions which will lift this to in excess of £60m, now seeks to appoint a Financial Controller who will be a key member in the strengthening of the management team.

The role will provide interpretation and review of the operating companies performance alongside the provision of commercial advice and financial guidance including planning, capital expenditure, acquisitions and an on-going systems development. This role will be totally involved in implementing future strategy of the division.

Candidates should be qualified accountants, aged 28/34 with drive and enthusiasm to succeed in a fast moving organisation. First class financial abilities with strong business/commercial awareness are essential.

Please write enclosing a full curriculum vitae quoting ref: 121 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE.

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

A superb opportunity in one of the UK's top retailers

MANAGER OF ANALYSIS AND CONTROL

c£30,000 + car + relocation — Central London

We have caught your eye, now let us capture your imagination! This is the rarest of opportunities to become part of the management team running one of the leading retail groups in the UK. This team is formidable, containing some of the most respected names in British retailing. Their main virtues are excellence and dedication, and we seek a young accountant to join them. This is a big job, but only for someone whose ambition matches their commitment.

Our client is one of the very largest UK retail groups and is growing rapidly. Your analytical skills will mean that you feel comfortable monitoring, reviewing and reporting on such a business to main Board level. Furthermore you will be involved in helping to control a major programme of capital expenditure.

To be considered you will need to be a qualified accountant, and probably in your late twenties or early thirties. In simple terms, you will need to demonstrate excellence. You will be at managerial level in a major accountancy firm or a consultant in a large management consultancy firm. Alternatively, you will have experience of management information and control systems at the highest levels in a substantial company.

If you think you match the challenge, please send your career and current salary details, including a day-time telephone number, to Barry C Skates at our Maidenhead office.

MKA SEARCH INTERNATIONAL LIMITED
MKA House King St, Maidenhead Berks SL6 1EF, Telephone: (0628) 75955
Shades House Mealcheapen St, Worcester WR1 2DQ, Telephone: (0905) 612261

MKA
London, Maidenhead, Worcester, Leeds
Search, Selection & Training

Letts

Finance Director designate

c £35,000 & car etc
London

Our client, Charles Letts (Holdings) Limited, well known for the compilation, manufacture and publishing of diaries internationally, as well as books and stationery products, wishes to recruit an experienced commercially minded accountant with wide knowledge of finance and business procedures.

Reporting to the Chairman, the successful applicant will be responsible for high standards of financial control and provision of accurate and up-to-date management information. In addition, suitable applicants must be systems orientated and able to contribute positively to the overall management of the business.

Candidates, 30 to 45 years of age, must be Chartered Accountants, with a minimum of 5 years in a responsible finance function and able to motivate staff and work effectively as part of the executive team in planning and controlling the future success of the Group.

In addition to salary, benefits will include a motor car, pension scheme, private health arrangements and profit share. It is anticipated that the designate period will not be more than 12 months.

Candidates interested should write enclosing a full CV including salary history and quoting reference MCS/7205 to:
Michael R. Andrews
Executive Selection Division
Price Waterhouse
Management Consultants
No 1 London Bridge
London SE1 9QL

Price Waterhouse

Gabriel Duffy Consultancy

MAJOR FINANCIAL SERVICES GROUP
CENTRAL LONDON

MANAGER UNIT TRUSTS — c£30,000+Car

Our client is a prestigious UK based Financial Services company, part of an expensive group based primarily in North America, with funds exceeding £800m. They are currently seeking to recruit for their young, rapidly expanding Unit Trust operation.

This challenging role will encompass total financial responsibility including unit creations, box management and investment accounting. New computerised administrative and accounting systems are currently being introduced and the job holder will play a major role in their development. There will be considerable liaison with fund managers and trustees, and involvement in Business Development. Some travel will be required to the head office in the West Country.

The successful applicant will be an assertive, ambitious qualified accountant aged 30-40 with exceptional interpersonal skills and experience in Unit Trust management. Salary is negotiable depending upon track record with an attractive range of benefits.

For further information, please contact **Alex McMillan MSc DIC** on (01) 831 2288 (day) or (0403) 57506 (evenings & weekends) or write in confidence to:

Gabriel Duffy Consultancy, Financial Selection and Search, 31 Southampton Row, London WC1B 5HJ.

Financial Controller

£25,000 + Car

Our client is a small group of companies involved in the design, manufacture and installation of electrical and electronic systems for blue chip industrial and public sector organisations. Its growth and profitability bring it close to a USM listing and a financial controller is now sought to strengthen its management board.

Based at the Bedfordshire head office, the role will include normal financial and accounting responsibilities but the incumbent will be expected to contribute significantly to the running of the business at both grass root and strategic levels.

Candidates should be professionally qualified with several years' experience of modern accounting practices (including working knowledge of computer based systems). They should have successfully held a senior management position and, preferably, have operated in a related industrial field. Ability to work and communicate effectively at all levels and to balance professional skills with commercial judgement will be important.

Please write to Jane Woodward (ref 9311).

KMG Thomson McLintock
Management Consultants
70 Finsbury Pavement London EC2A 1SX

Company Accountant

Balfour Beatty Construction Limited is a highly respected British company engaged in a wide range of building and civil engineering projects on a worldwide basis, and currently enjoying an annual turn-over in the region of £400m.

We are looking for a Chartered Accountant aged 28-35, with the professional flair and personality to cope with major business decisions, as well as the determination to roll up their sleeves and get involved in the production of detailed information, as a vital member of a close-knit team.

Based at our Head Office in Croydon and reporting to the Finance Director, you will be expected to produce monthly accounts from returns by operating divisions to a strict timetable, and to contribute in the review and monitoring of major new projects and business opportunities. On occasion you will also deputise for the Director in meetings with outside professionals, banks and clients.

You can expect an attractive salary and benefits package that includes the provision of assistance with relocation expenses if required.

Please write enclosing a detailed CV, to the Personnel Manager, Balfour Beatty Construction Limited, 7 Mayday Road, Thornton Heath, Surrey CR4 7XA.

BB Balfour Beatty
THE INTERNATIONAL ENGINEERING AND CONSTRUCTION GROUP

CHIEF ACCOUNTANT

BURY, LANCASHIRE — c. £18,000 + CAR

CROMPTON
SPECIALIST PAPER MAKERS

Our client, J. R. Crompton, is a £30M turnover company manufacturing specialist paper products; established over 100 years, their head office is in Bury, Lancashire. Last year the company was acquired by BUNZL, one of the fastest growing PLC's in the U.K., and it has since been transformed into a successful and dynamic operation led by a new management team.

To meet this challenge and strengthen the financial team the Finance Director has created a new position of Chief Accountant, which will be ideal for an ambitious young accountant with good industrial experience and lots of potential. Reporting directly to him, you will be responsible for the day-to-day management of the department, and in particular the development of financial information and reporting systems on the newly installed computer. Initial emphasis will be upon improving the monthly management accounting package and enhancing cost control information. You will also have considerable involvement in financial and strategic planning.

To be successful in this role, you will probably be in your late twenties or early thirties, with a strong personality and a great deal of determination and drive. You will be a qualified accountant, possibly a graduate, and will have sound technical expertise combined with proven experience as a manager. In addition to the above remuneration package, the position offers outstanding prospects both within the company and in the Group as a whole.

BUNZL

Please contact [illegible] at our Manchester Office quoting ref. no. [illegible].

Trident House, 31-33 Dale Street, Liverpool L2 2HF, Tel: 051-236 9373

ASB RECRUITMENT LIMITED

Eagle Buildings, 64 Cross Street, Manchester M2 4JQ, Tel: 061-834 0618

INVESTMENT TRUST ADMINISTRATOR
North West

Attractive Remuneration Package
(including normal banking benefits)

An exciting opportunity has arisen for an experienced investment trust administrator to join a new venture. Our client is an established force in the financial services industry and as part of an expansion programme requires an individual to take charge of the day to day administration of a new investment trust which will be dealing in both the equity and gilt sectors.

The requirement is for a financial services professional, probably an accountant, aged 30–40 who can demonstrate:

- experience in an investment trust or similar financial institution;
- familiarity with computerised systems;
- the imagination and drive to implement control systems for this new venture;
- a "shirt sleeves" approach and the ability to work as part of a team.

The successful candidate will be responsible to the Managing Director for all areas of the Trust's administration and remuneration will not be a barrier to suitably qualified applicants.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2755 to J. Scarisbrick, Executive Selection Division.

Touche Ross
The Business Partners

PO Box 500, Abbey House, 74 Mosley Street, Manchester M60 2AT. Telephone: 061-228 3456.

Accountancy Appointments

Chartered Accountants

from Profession to Financial Services

c. £30,000 + Car + Mortgage Subsidy

These two positions are in a small elite team operating at the centre of a major Financial Services Group which has well laid plans for the expansion of its business interests. The vacancies have been created in order to deal with the wide ranging issues arising from the expansion and to provide high level succession in the Finance function.

Applicants should be Graduate Chartered Accountants who wish to maintain the momentum of a rapidly developing career by being directly involved in the profitable growth of a major business.

A high standard of accounting and analytical competence is required together with a recent caseload of special project work for large p.l.c. clients. Experience of dealing at Chief Executive/Finance Director level and the confidence to continue to do so on a regular basis is essential.

The positions will have a base in the City. All applications will be treated in the strictest confidence and no detail will be released before interview.

Please apply in confidence to: J. D. Vine (Ref. CA/12) Vine Potterton Limited, 152/153 Fleet Street, London EC4A 2DH.

VINE POTTERTON
RECRUITMENT ADVERTISING

Financial Controller

Midlands

c£28,000 + Car

Our client is a market leader in the engineering sector, manufacturing and servicing an extensive range of products with an appeal in both domestic and international markets. With an enviable reputation for excellence of product quality, design and reliability, the organisation is seeking to build on these advantages with a long term programme of investment in product development and new technology which will further enhance its international profile.

To support this exciting phase of business development, the company has strategically reviewed both its operational and financial organisation. As a result the decision has been taken to redefine the company into discrete business profit centres each with a financial controller.

Reporting to the Chief Executive, the appointee will be fully responsible for the financial operations of a new group. In addition to broad ranging duties in budgetary control, forecasting and cash management, a major feature will be the freedom to identify and develop new systems and procedures to meet business needs, particularly in the areas of contract management and project control.

Candidates are likely to be ACMA's and aged around 35. Ideally, applicants will have gained experience of senior line accounting, preferably within a contract engineering environment where the control of costs and thorough project management methods from bid to completion have been an integral part of the function.

Above all we are looking for the dynamism to generate change and the determination to direct it to business goals.

Please reply in confidence, giving concise career, personal and salary details, quoting **Ref: ER918** to: **Brendan Keelan, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Fast Mover . . . Rapid Growth . . . Career Development . . .

FINANCE MANAGER

(Food Services)

London ***c. £20K + Car***

This appointment is an ideal career move for a graduate with two to three years post-qualification experience seeking a stepping stone to a senior position within a major international organisation.

Our client is **PepsiCo Food Services International**, an autonomous division within the Pepsi organisation which acts as the franchise servicing arm of a growing restaurant system with locations throughout Europe, the Middle East and Africa. They operate the famous **Pizza Hut** restaurants and are currently in the process of developing Taco Bell restaurants.

Reporting directly to the Director of Finance and based at their Area Head Quarters in North West London, this position carries prime responsibility for the development and maintenance of accurate accounting records and financial reporting systems. Equally important will be tasks involving business analysis and forecasting future performance. It is envisaged that some foreign travel may be involved.

Our brief is to source candidates who are qualified A.C.A.'s (preferably from one of the large firms) and who have experience within a fast moving and demanding commercial environment. We also expect familiarity with modern systems, UK tax legislation and a working knowledge of PC packages such as Lotus.

This is a creative position which offers an opportunity to transform ideas into actions and experience the results. High visibility to senior management, both here and in the U.S. demands that standards of presentation must be of the highest quality.

For further information please call our Managing Consultant **Ron Irving, on 01-995 7100 (24 hours)** or alternatively send your curriculum vitae to him at our London address quoting reference FT/312.

We look forward to hearing from you.

THE HAMILTON IRVING CONSULTANCY

CONSULTANTS IN HUMAN RESOURCES AND RECRUITMENT TO THE RETAIL INDUSTRY

London House, 26-40 Kensington High Street, London W8 4PF Telephone: 01-938 2222

Financial Sector Management Consultant

City **c£30,000 + car**

PEAT MARWICK

Peat Marwick is recognised as a world leader in the provision of strategic and management advice to the financial sector. Within its management consultancy practice, the specialist Banking and Finance Group has experienced a substantial increase in demand for its services. Peat Marwick now wish to appoint several additional consultants in financial management.

As a member of the Banking and Finance Group you will be dealing directly with senior management of client institutions. Clients include retail, commercial and merchant banks, stockbrokers, fund managers and building societies — among them some of the world's leading financial institutions. Assignments might encompass, for example:

- profit improvement and operational efficiency programmes
- development of risk management techniques
- evaluation and implementation of management information and financial control systems
- formulation of business strategy

To be considered for this demanding role, you must be a qualified accountant offering a minimum of two years financial sector experience either as a senior accounting or systems specialist.

Career opportunities within Peat Marwick are exceptional for high calibre individuals — promotion and salary progression can be rapid and opportunities exist to work overseas. You will be encouraged to develop your own business awareness and technical skills to the full and to take an active part in development and growth.

Please write or telephone in confidence to Sarah Waisman 01-256 5041 (out of hours 01-981 5963) quoting reference CG 0400

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD. 01-256 5041

Financial Controller

Yorkshire **To £25,000 + car + benefits**

Part of a successful and expanding private group of companies, our client, turnover £8 million per annum, is a well-established market leader engaged in the design and manufacture of high quality products supplied to an impressive portfolio of "household name" customers in the consumer electronics market. The management style is dynamic and progressive with emphasis upon the achievement of performance targets.

Reporting to the Managing Director and working with a compact team of managers you will be involved in all aspects of the company's financial management. A major task will be to develop the existing computer based reporting system to produce clear and current financial information on company performance.

Probably in your 30's/40's and a qualified accountant, you will have at least five years' experience of management and financial accounting practices gained in a profit accountable environment. A background in manufacturing/engineering, preferably in a medium sized company would be an advantage. Well-developed communication skills and the ability to contribute to the overall management of the business are important qualities.

The attractive remuneration package includes salary with bonus as indicated, company car and a range of other benefits.

Please write – in confidence – with full details to Peter Roberts, ref. B.63194.

MSL International (UK) Ltd, Oak House, Park Lane, Leeds LS3 1EL.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

A future in finance and fashion

FINANCE DIRECTOR - DESIGNATE

NORTH LONDON **EXCELLENT BENEFITS + CAR**

Windsmoor PLC is one of the UK's top fashion houses. The Group designs, manufactures and markets collections of high quality women's fashions and has a combined turnover in excess of £50 million. Aggressive marketing and further new outlets make for a very promising 1987.

This is a new position reporting directly to the Executive Chairman and progressively taking over his responsibilities for all aspects of the financial planning, accounts and management information systems of the Group including computerisation.

This challenging opportunity will suit an FCA or ACA in their late twenties or early thirties, with a minimum of five years experience in a substantial organisation, ideally in the retail or fashion business. In return, we offer a highly competitive salary, executive car, pension scheme, BUPA and an exciting working environment that our young, progressive management team can provide.

Write in the first instance, with career details, stating salary to:

Miss Geraldine Kettleton, Personnel Director, Windsmoor PLC, Windsmoor House, Lawrence Road, London N15 4EP.

WINDSMOOR PLC

EUROPEAN FINANCIAL DIRECTOR

EUROPEAN FINANCIAL DIRECTOR required for major successful international public group involved in the supply and financing of computer systems and other high-technology equipment.

This is an exceptional opportunity for an ambitious and self-motivated individual with high-level experience in international technology-related fiscal areas including rental/lease accounting. He/she will take complete responsibility for the finance function of the Group's Continental European operation currently generating turnover in excess of £140m, including financial reporting, treasury systems development, planning and strategy. The European Finance Director will be based both in London and in the European headquarters in The Netherlands, supporting all the European offices and be responsible for integrating further strategic acquisitions as they occur. He/she will report to the European managing director and functionally to the divisional finance director of the U.K. public company.

The remuneration package includes all the normal fringe benefits associated with such a senior position and levels of remuneration will not prove a problem for the right candidate.

Applications in writing please with full c.v. to:
Box A0447, Financial Times
10 Cannon Street, London EC4P 4BY

BLUE CHIP SUCCESS

Ambitious ACA **£20,000 + Bonus**

One of the largest and most successful companies in the world, this UK corporation is making strategic acquisitions to diversify the product range of its 350 subsidiaries worldwide.

Its HQ finance team is heavily involved in providing up to the minute information to the Board and evaluating options in these ever-changing markets.

Early opportunities for promotion into UK or overseas businesses from this elite team of graduate ACA's are now better than ever.

For a confidential discussion, in greater depth, call Carmel Mallon on:

Tel: 01-242 6321

Personnel Resources 75 Gray's Inn Road London WC1X 8US

Personnel Resources
Commercial & Industrial Division

CHIEF ACCOUNTANT/ FINANCE DIRECTOR DESIGNATE

West Midlands c £16,000+ Profit share and Car

The company is a long established and successful manufacturer of a range of quality products and is a member of a substantial privately-owned group.

Financial control is of paramount importance and the position will suit an ambitious and committed shirt-sleeved accountant with a positive attitude to responsibility.

Candidates must be qualified accountants (ACA, ACMA, ACCA) aged 23-35, capable of implementing financial controls as well as taking an active part in the general management of the company including the continuing development of computer-based system.

Rewards include an excellent remuneration package with attractive profit share and appointment to the board.

Please write with a full career history to:

A. P. Bale
NEWSHIP GROUP LIMITED
Clive House
12-18 Queens Road, Weybridge, Surrey KT13 9XB

Profile Management Search

FINANCE DIRECTOR

West Midlands **£28,000 + Bonus + Car**

An expanding and highly profitable private house building and development Group with turnover in excess of £25m requires a Director to control accounting functions and manage funding operations.

Candidates should be qualified accountants, aged 35-45, with a strong management and financial accounting background. Experience of development funding operations and negotiations would be a valuable asset.

This is a career opportunity in an exciting environment. Excellent remuneration package negotiable. Please write in complete confidence with full c.v. and current salary, to:

PROFILE MANAGEMENT SEARCH
Tabard Chambers, 53 Northgate Street,
Gloucester GL1 2AJ.

Accountancy Appointments

CONTROLLER c. £30,000 + Car

This is a new role, reporting to the UK Managing Director and a key member of his team, responsible for co-ordinating and controlling the financial and operational functions. As well as contributing to the management and growth of the UK Company, you will manage and further develop a full range of computer-based accounting and business planning systems. Your functional responsibility to the International Director of Finance will include asset management, tax and statutory requirements.

A Chartered Accountant in your early 30s, experienced in managing a high calibre multi-disciplined team, you must have good systems experience and be used to reporting to tight deadlines. Knowledge of US accounting standards is important. Enthusiasm, high energy levels and the flexibility of mind to maintain standards in a fast moving environment are essential.

CAN YOU ACCOUNT FOR OUR SUCCESS

1986 was another remarkable year for Lotus Development, the world's largest independent supplier of software for personal computers. World-wide revenues up by 25% to over $280m – income up by 27% to $48m with international sales increasing by 70% to account for 24% of the total.

In 1986 Lotus increased and strengthened its customer base, broadened its manufacturing and distribution capability, enlarged and enhanced its product range and shipped the 2 millionth copy of LOTUS 1.2.3., the industry standard.

As a result of this growth and subsequent promotions, we have three new posts within the financial team based in Windsor in the areas of control, planning and accounting. In Lotus the finance function is an integral part of the management team, contributing to business decision-making with commercial awareness and the very best in financial and management information.

MANAGER INTERNATIONAL FINANCIAL PLANNING
c. £25,000 + Car

As the existing Manager is being promoted to our US parent, we need a young numerate graduate to build and expand on the current base where planning is a true partner in managing a successful business.

Reporting to the International Director of Finance, but with direct contact with all senior management, the International Planning Manager has a high visibility in the organisation. Responsibilities include running all aspects of the forecasting and planning cycle and managing the supply/demand process to ensure optimal product flow through to feed an ever hungry market. Managing this growing company in a dynamic business environment requires frequent planning updates and numerous ad hoc projects to provide the sound analysis on which to base business decisions.

In your late 20s, with a period in an international financial planning role, you will be used to a fast moving business environment. You must have the interpersonal skills to work with senior management, together with the analytical ability to pull together the financial strands of the local operations and produce vital data for management control. An enthusiasm for Lotus software, gained through hands-on experience, would be a distinct advantage.

ACCOUNTING MANAGER
c. £20,000 + Car

Responsible for a small group and working closely with all members of the UK management team this is an exciting position for a young ambitious 24-28 year old graduate ACA.

Working to the highest standards of financial expertise you will be responsible for the accounting operations of the UK subsidiary as well as being significantly involved in forecasting, planning and budgeting.

Technically competent, with an agile mind, good man management and communications skills, you must be able to motivate others by your example. Experience of computer systems and US reporting procedures would be highly advantageous.

Lotus employees enjoy an enviable package of benefits including voluntary pension scheme, life assurance, medical insurance, profit share and employee stock purchase scheme. Prospects for promotion are excellent in this rapidly expanding world-wide organisation.

To apply, interested men and women should write to our advising consultant, David Konrath, at the address below, enclosing a comprehensive career history and indicating the position of interest.

OTTERIDGE & COMPANY
197 Knightsbridge, London SW7 1RP.

Lotus

Corporate Head of Internal Audit

Career opportunity
c £35,000 plus car etc
Greater London

Our client, a large, well known and successful international public group wishes to appoint a competent, business-minded professional to this key post and a person capable of closely relating the internal audit function to company performance and profits.

The successful applicant reporting to a main Board Director will be responsible for the control and future development of audits relating to operational procedures as well as those concerned with security and financial matters. He/she will be supported by existing experienced audit teams.

Suitable applicants aged 30 to 40 must be Chartered Accountants with strong backgrounds of senior level audit exposure and are therefore likely to be employed within a large organisation or major firm of Chartered Accountants using up-to-date and sophisticated auditing techniques. In addition they must be able to generate confidence amid day-to-day problem solving with other senior management of varying disciplines.

The commencing salary will reflect the importance of this appointment. In addition to other benefits, further career progression is realistic.

Candidates can apply in confidence enclosing a full CV and salary history, quoting MCS/7206 to
Michael R. Andrews
Executive Selection Division
Price Waterhouse
Management Consultants
No 1 London Bridge
London SE1 9QL

Price Waterhouse

R H Associates

A Division of Recruitment Holdings Ltd

Accountancy Recruitment Consultants

A NEW PERSPECTIVE

ELECTRONICS
Financial Controller £23,000 + car
Growing autonomous subsidiary of a highly acquisitive USM group seeks a young qualified ACA/ACCA under 30 to head the finance function. Reporting to the MD, the position has significant commercial involvement as part of the management team. Unusually, candidates seeking a first move from the profession would be considered. WC1

PETROCHEMICALS
Joint Venture Auditor c. £26,000
Expanding oil company seeks an experienced auditor to set up a new department to be responsible for UK and European joint ventures. Development of the audit programme and detailed systems analysis will require a flexible and innovative approach. Reporting to *the FC, the position will also include profit*ability and budget analysis. SW LONDON

RETAIL
Finalist/Qualified £14-20,000
Multinational group seeks young dynamic accountants with strong career commitment to undertake stimulating project related roles. *These opportunities* are available at corporate Head Quarters and within their regional operating divisions. If you are reading this you are the calibre of person with whom we need to talk.

MANUFACTURING
Financial Director £23-30,000 + car
Specialist manufacturing/marketing group seeks to augment its management team in 2 operating subsidiaries. Candidates aged 35-45 will be qualified and possess relevant experience. Taking responsibility for budgets, forecasts, management accounts and computer systems development, a mature and commercial approach is essential. LANCS & HANTS

COMPUTERS
Financial Manager £22,000 + car
An exceptional ACA aged under 30 is sought *by this US market leader. Taking responsi*bility for 5 staff directly and reporting to the Financial Controller. The position co-ordinates all financial and management accounting. Only those seeking a business support *role* long term would be relevant. WC1

LEISURE
Taxation c. £19,000 + Benefits
An opportunity to move into a role in practice, which encompasses a mix of both corporate and personal taxation, specialising in the *leisure sector. Significant client contact* required for the planning aspects, and there is considerable exposure to micro computers. Promotion prospects are excellent in a fast developing *sector.* CITY

MULTINATIONAL FMCG
Business Analyst £18-20,000 + car
Do you have general management aspirations? This well-known group requires two qualifieds with strong personalities and ideas, aged under 28, for their marketing analysis team. A demanding role, which involves some US travel, these positions are viewed as springboards to fast promotion, and future senior management. W LONDON

MERCHANT BANKING
Corporate Develpmt. £20,000 + Mortgage
This specialist team seeks an exceptional graduate ACA aged 25-30 to become involved in acquisitions and mergers as well as venture capital liaison. Relevant experience is not necessary, but a "Big 8" background and first class analytical skills are required. CITY

FINANCIAL SERVICES
Systems Accountant c. £18,000 + Mortgage
Due to rapid expansion this renowned group seeks a newly qualified with an interest in systems development and banking. Although experience with PCs is desirable an analytical mind and good communication skills are essential for a move which includes *involvement with new financial products.* W1

For details of these and other opportunities please write with CV or telephone:
Howard Lenoot, BA, ACA
(out of hours 01-830 2878)

18 Exeter Street, London WC2E 7DU
Telephone 01-379 6668 Telex 965423

Due to continued expansion our clients, a worldwide leader in high technology telecommunications based in Berkshire, are involved in a "GREEN FIELD SERVICE OPERATION" backed by high profile advertising and are offering genuine career opportunities across the board to

Financial Accountants Management c£19,000

You will be a young commercially aware qualified accountant, interested in working with computers, wanting to work on your own initiative and wishing to be involved in the sharp end of the business by interfacing with the sales & marketing departments. Business decisions will be influenced by your financial planning/analysis and will impact upon customer service and greater profitability.

It is anticipated that you will progress from this position within two years, and further advancement will be limited only by your own inability to capitalise on this rare opportunity.

Please telephone Andrew Fowler for an application form, or write enclosing your CV.

Telephone (0753) 854256

Management Personnel
2 Eton Court, Eton, WINDSOR, Berks SL4 6BY

FINANCIAL CONTROLLER

(Director Designate)

QUOTED COMPANY — SURBITON

FCA ONLY (30—40) **C. £30,000**

We are a very demanding, highly motivated and fast expanding Company with sophisticated, computerised management information systems.

The sustained high growth rate of the Company, having elevated the present F.D. into an overall management role, has resulted in a suitable replacement being sought.

Whilst the position covers management of the existing financial reporting systems, it also involves responsibility for the continuing improvement and implementation of internal management systems. The successful candidate must possess and have a proven high level of commercial awareness in addition to the usual expected skills.

It must be stressed that we are not seeking to fill a management accountancy role but to recruit an active participant in the Company's future growth. As a result our selection process will be demanding and only suitable candidates should apply.

C.V.'s in strict confidence to:

A. L. BOWEN (FCA)
NORTHAMBER plc
Lion Park Avenue, Chessington, Surrey KT9 1ST

DIRECTOR OF FINANCE
London S. E.

Age: 30 – 45 **£35,000 +**

A major company, turnover in excess of £70 million, employing over 400 people and part of an international group wishes to appoint a Director of Finance.

Reporting to the Managing Director you will lead a department which is already well established and be responsible for all aspects of the company's accounting and reporting requirements.

As a key member of the senior executive team you will be heavily involved in the provision of financial and commercial information for the board, and will help to plan and implement strategies for the future. There will be the opportunity for direct liaison with other companies within the international group.

Applicants should be qualified accountants and preferably have wide experience in manufacturing or process industry. Salary is negotiable at £35,000+, with car and other attractive fringe benefits.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref. 2764 to W. L. Tait, Executive Selection Division.

Touche Ross
The Business Partners
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

FINANCE DIRECTOR

(Lancashire)

c. £23,000 + substantial benefits package

Part of a major engineering group, market leaders in their field, this well established distribution/manufacturing company has an annual turnover of £7m.
As Finance Director you will join a close and forward looking executive team responsible for the finance function and computer systems department.
This position will appeal to an accountant who wishes to be involved in a demanding environment with extensive use of advanced computer systems.
Candidates aged 35+, with an appropriate qualification, will have a broad background in a manufacturing company, including the preparation of budgets, forecasts, management accounts and system development.
The remuneration package will include a profit related performance bonus, prestige car, PPP and full relocation expenses where necessary.
In the first instance, please write including your CV to: Diane Haile, Recruitment Executive. Please mark your envelope Private & Confidential, with the reference FT/012.

Mark Flemons Recruitment
Brook House, 99 Gosport Road
Fareham, Hants. PO16 0PY

MFa RECRUITMENT

Financial Controller

Nottingham c. £20,000 + bonus + car

Part of the International Cope Allman Group, Bell-Fruit Services is one of the largest companies in the Leisure industry with operating Divisions throughout the UK. We now wish to reinforce our commitment to improvements in business performance by appointing a Financial Controller at our new Head Office in Nottingham.

Reporting to the Finance Director, you will continuously review the financial performance of each operating Division and the company in total, identifying those areas in which improvements *can be made. In doing so you will have considerable contact with Divisional Directors* and therefore some travel will be involved. You will also deputise for the Finance Director in his absence.

A qualified accountant, you should have relevant financial experience at a senior level. In addition to maintaining standards of professional excellence, you must be able to demonstrate the astute commercial awareness necessary for a key position of this kind. Career opportunities within the company are excellent.

Excellent terms and conditions are offered which include a quality company car, performance related bonus, relocation package (where appropriate) and other benefits you would expect at this level.

Please write or telephone for an application form to: The Personnel Manager, Bell-Fruit Services Limited, Leen Gate, Lenton, Nottingham NG7 2ND. Tel: (0602) 780860.

Bell Fruit Services

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

BANKING AND FINANCIAL SERVICES

At Partner and Manager Levels

Robin Bennett and Associates, part of DAL Group plc specialises in the recruitment of senior people in the professions. We would like to hear from really *outstanding* accountants and consultants with experience in banking and/or financial services and in particular, with knowledge of securities and Treasury instruments, who would be interested in making a major career move within the profession.

Please telephone or write in confidence with brief career details to Robin Bennett at:

DAL GROUP
Robin Bennett & Associates Limited
7 Cavendish Square, *London W1M 9HA*
Tel: 01-637 2171

Accountancy Appointments

Accounts director

Financial services

West Country, c £40,000

C&L

This is an important and expanding company operating in an exciting growth area of the financial services market with an excellent and long established client base and great potential for the future. Turnover is of the order of £92m per annum.

Due to reorganisation, there is an opening for an Accounts Director reporting to the Finance Director who also has wider Group responsibilities. The successful candidate will have particular responsibilities for meeting the company's tight requirement for the preparation and interpretation of regular management information, for reports to the parent company, for annual budgets and numerous information needs throughout the company. The successful candidate will also be expected to contribute to the formulation of strategies for advancing the company. Four managers and fifty staff report into this function and there is an operating budget of £1 million. This is primarily a management rather than a pure accounting role, entailing substantial liaison with directors and managers of the organisation.

The ideal candidate for this key appointment will be aged 35-45, a qualified accountant with extensive commercial experience, preferably in Life Assurance or the financial services sector, accustomed to managing a large team in a highly computerised environment. The offices are located in an exceptionally pleasant city and the terms and conditions of service are very good.

Please apply in confidence to Gregory T M Hinds, Ref. GH625.

Coopers & Lybrand Executive Selection

Coopers & Lybrand Executive Selection Limited
Shelley House 3 Noble Street
London EC2V 7DQ
01-606 1975

NEWLY QUALIFIED ACA

A firm of International Tax Specialists require an accountant, preferably a newly-qualified chartered accountant, to take charge of internal accountancy and administration.

The successful candidate would initially be involved in the computerisation of the accounting records, formation and administration of companies for clients, but could eventually become part of the consultancy team.

Write to:
J. F. Chown
and Company Limited
Capital House
42 Weston Street
London SE1 3QD

Exciting opportunities for Ambitious Accountants

£20k–£40k package

NATWEST INVESTMENT BANK

The NatWest Investment Bank group is an autonomous investment banking arm of National Westminster Bank PLC. Represented in all the world's major financial centres it has experienced a period of rapid growth which has created the following opportunities for exceptional individuals.

GROUP MANAGEMENT ACCOUNTANT

The successful candidate for this senior appointment will assume responsibility for the management accounting function for the group.

Key responsibilities will include:–

• management reporting • planning and budgeting • investment appraisal • improving existing systems • management of a group of young professionals

MANAGEMENT ACCOUNTANTS

There is a requirement for an individual to assume day-to-day responsibility for the monitoring of the group's planning, budgeting and forecasting process which makes extensive use of mainframe and PC based systems.

In addition the Technology and Premises divisions have identified the need for a recently qualified accountant to take responsibility for the monitoring, control and reporting of divisional and project expenditure, developing and enhancing existing systems as appropriate.

The bank seeks applications from ambitious accountants with drive and determination who are keen to join an expanding and dynamic organisation where performance is recognised and rewarded.

The Finance Group has a commitment to develop multi-disciplined career accountants by offering experience within the Finance Group itself and within the business and commercial departments of the bank.

The remuneration package is highly competitive and will include performance related bonus as well as usual banking benefits.

For further details of these positions please contact by telephone or by sending your career resume quoting Ref: 123 to:

Nigel Hopkins FCA, 97 Jermyn Street, London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

Corporate Treasurer -International Banking

CA, early 30s c. £30,000 + benefits

This new senior appointment is well positioned at the financial hub of a major international banking network spanning several continents. In the fast evolving financial markets, the bank has been in the forefront of developments in financial management techniques. The bank wishes to strengthen its financial control team in London with the appointment of a Corporate Treasurer. Reporting to the chief financial officer, and leading a small team, your span of control will cover the bank's capital base, infrastructure currency position and regulatory relationships.

To apply, you should be a graduate chartered accountant familiar, either directly or indirectly, with financial institutions and specifically treasury and merchant banking operations (including capital markets).

The usual range of banking benefits apply and career prospects are excellent.

All enquiries will be treated in strict confidence. Please send a brief curriculum vitae or telephone for an application form to Gary Gibbons, Financial Institutions Group, Ref: 1343/GRG/FT.

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Group Financial Director

Central London **c£50,000 plus benefits**

Our client is a highly successful manufacturing based international plc. Since establishment 20 years ago, they have grown rapidly and steadily to a market leading position.

In line with their plans for business growth, the board is to be strengthened with the appointment of a highly experienced Group Financial Director with a strong plc background.

Financial controls and information flow are already well established enabling the new Director to play a full role in the areas of acquisition/mergers, shareholder and city liaison as well as general financial PR.

The position demands a very high calibre qualified graduate accountant, aged 35-40 who can bring with them a track record in a similar organisation. International experience and foreign languages are highly desirable as are above average personal qualities. Exceptional strength of character coupled with a pragmatic manner and a commitment to growth are, of course, essential.

The competitive remuneration package will also include a fully expensed quality car and eligibility for the executive share options scheme.

Interested applicants should write to Tony Martin, Executive Division enclosing a comprehensive CV and daytime telephone number at
39-41 Parker Street, London WC2B 5LH,
quoting ref. 389.

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Managing Director

Financial Services

London Area, Substantial Benefits Package

The company, a subsidiary of a major British Group, is a Finance House with a debt of over £600m, growing fast in a range of activities which includes leasing, HP, secured and unsecured loans. It is a significant force in the market. Success and a thoroughly professional reputation, has been justifiably earned through provision of the highest level of service and a prudent management style. The Managing Director will be fully responsible to the Group main board for the performance and continuing growth of the company through increasing market penetration and introduction of new products. Candidates, aged 35 plus, must have senior management experience within a major finance house which will have equipped them for a position of this importance.

H.W. FitzHugh, **Hoggett Bowers plc**, *1/2 Hanover Street*, **LONDON**, *W1R 9WB*, **01-734 6852.** *Ref: 20368/FT*

Administration Manager

Stockbroking

Glasgow, c £22,500, Profit Share, Car Allowance

An outstanding career opportunity, with one of Scotland's leading stockbrokers, for a professional manager to plan, organise and control all aspects of contract administration and settlement services dealing with a high volume of transactions. Applicants aged 35–45, must have a proven track record of administrative management in stockbroking ideally utilising NMW computer systems. A formal qualification would be an advantage but less important than a positive personality, excellent communication skills and the ability to manage, motivate and train staff to operate to the highest standards. Excellent conditions of employment include a non contributory pension, health insurance and relocation assistance if required plus the prospect of a board appointment after a period of successful operation.

J.C. Brown, **Hoggett Bowers plc**, *29 St. Vincent Place*, **GLASGOW**, *G1 2DT*, **041 221 2585.** *Ref: G11006/FT*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

RECRUITMENT CONSULTANT

Manchester/Leeds **Competitive salary + car**

Touche Ross Management Consultants' continuing rapid growth is founded on the highly professional service we provide to our clients, who range from small private companies to multi-national groups, and who operate in many different kinds of business.

As part of the Northern Region's expansion programme we seek a recruitment specialist to be responsible for executive selection assignments covering senior posts in finance, IT, sales and marketing, production, personnel, and general management.

Applicants should combine considerable experience in recruiting senior personnel for a wide range of industries with a proven success record in their career to date. They should also be able to demonstrate flair for business development and a high level of interpersonal skills.

In return we offer a competitive remuneration package together with excellent opportunities for career development.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2763 to J Scarisbrick, Executive Selection Division.

Touche Ross
The Business Partners
Abbey House, PO Box 500 74 Mosley Street, Manchester M60 2AT. Tel: 061 228 3456.

Senior Accountant Systems

South London

c.£22,000 + car + benefits

Our client is a market leader in UK retailing with a sizeable programme of investment in the most advanced computerised systems.

They seek an exceptional individual to head a small, professional team which will take the Accounting Systems to the next stages of development, including implementation of advanced software packages, and operational support.

A qualified accountant around 30, you must have spent part of your career to date involved in Systems Analysis and design – preferably within an IBM environment.

Our client offers an extensive benefits package which includes profit share, share option scheme and staff discount after qualifying periods. The scope of personal and professional growth is excellent.

For a full job description, please write to George Wakely at John Courtis & Partners Ltd, Selection Consultants, 104 Marylebone Lane, London W1M 5FU, demonstrating clearly how your experience and personal skills meet our client's requirements, quoting ref. 3010/FT. Both men and women may apply.

JC&P Management Selection and Search
London, Milton Keynes, Northwich

AMSTERDAM

International Computer Leasing and Brokerage Group
Recently-qualified Chartered Accountant aged 22-26 years
£20,000 per annum — Performance-Related Bonus — Relocation Allowance

An opportunity has arisen for a recently-qualified Chartered Accountant to join the accounting team responsible for financial control of the Continental European operations of a major UK Group. The successful applicant will be responsible for the timely production of the management and financial accounts of the Dutch subsidiaries reporting directly to the Dutch Financial Manager.

Candidates will be expected to:—

(i) Work under pressure to tight deadlines;
(ii) Implement and maintain both computerised and manual systems; and
(iii) Demonstrate a high level of both practical and technical accounting experience.

The international nature of the Group's operations ensures opportunity to undertake one-off accounting assignments throughout Europe.

If you would like to be considered for the position outlined above please write in confidence, enclosing a full curriculum vitae, to:—

D. E. K. Roberts, European Financial Controller
ICA EUROPE BV
Konningslaan 19, Amsterdam, The Netherlands

Financial Director

Birmingham **up to £25,000 plus car etc.**

The company, now part of an exceptionally dynamic and ambitious British industrial holding group, earns good profits on sales approaching £20 million. Operating through a national depot network, it is the market leader in supplying the total materials and equipment requirements (well over 2000 items) of a major advertising media industry.

Business growth and sustained profitability rest heavily on tight financial management, especially of working capital and cash, and on the further development of computerised operational and accounting controls. The Financial Director, with a team of a dozen people, also plays a crucial commercial role in the four-strong executive board.

Candidates, male or female, must be qualified accountants, preferably chartered and in their 30s. They must be seasoned financial managers, ideally from a similar multi-unit, fast-moving distributive business. They will be thoroughgoing professionals, particularly skilled in computer applications, but also business managers.

Initial salary negotiable up to £25,000 plus car, health insurance, relocation help if needed. Share option prospects.

Please send career details, in confidence, to D. A. Ravenscroft.

Ravenscroft & Partners
Search and Selection
20 Albert Square, Manchester M2 5PE

FINANCE DIRECTOR

DAVIS BUILD

Award-Winning House Builder in London and South-East

To £35K per annum + Share Option + Car

Our group of companies requires a group financial controller of a high calibre, probably in early 30s, ACA, CA preferred. Flair and imagination will be needed for assembly and presentation of innovative funding arrangements.

Usual knowledge of tax, company law, financial analysis, competitor analysis and forecasting required.

A proven track record will need to be shown.

Please reply in writing, stating Ref: SPD/FT, with full c.v. to:
DAVIS BUILD PLC
Epicurus House, High Street, Sevenoaks, Kent, TN13 1LP.

Accountancy Appointments

Appointments Advertising

£48 per single column centimetre
Premium positions will be charged £52 per single column centimetre

For further information call:

Jane Liversidge
01-248 5205

Daniel Berry
01-248 4782

Emma Cox
01-236 3769

Financial Planning Manager

Young Accountant for Dynamic Marketing Environment

Age 27-30 **West London** **c.£21,500 p.a. plus car**

Our client, a 'household name' operating in the fashion-related end of the *f.m.c.g.* market, is currently seeking to recruit a Financial Planning Manager. The nature of the company's product necessitates that it be marketing led with a highly commercial Sales and Marketing Department.

It is the primary function of the Financial Planning Manager to operate in close conjunction with this area of activity.

Specific responsibilities of the role will include:
- Provision of financial advice and expertise to members of the Sales and Marketing function.
- Full financial analysis of sales performance.
- Preparation of annual budgets and long range plans.
- Control of Sales and Marketing expenditure.
- Development of reporting techniques to ensure maximum attention and understanding is given to sales performance and expenditure.
- Direct involvement in the monthly reporting cycle.
- Projects directed towards enhancing the internal and external performance of the company.

The role leads a department of seven (including 2 qualified and 3 part-qualified individuals), and good man-management and staff planning skills are vital.

It is anticipated that the successful applicant will be a qualified accountant, with previous financial analysis or planning experience gained within a progressive blue-chip organisation.

It is essential that candidates combine a strong business understanding, maturity and presence with good communication and inter-personal skills.

The company has a young management team, and provides excellent promotion prospects both within the planning department and wider financial areas. The immediate attraction however will be the broad, intense and challenging content of the role itself, which will undoubtedly appeal to the more highly motivated and ambitious individual.

If you feel that you are suitable for and interested in this excellent opportunity, please contact Karen Wilson BA, ACMA on 01-439 6911 or write to her enclosing a CV and note of current salary at Financial Management Selection, 21 Cork Street, London W1X 1HB.

Financial Management Selection
Specialist Search and Selection Consultants

DIRECTOR OF FINANCE AND ADMINISTRATION

Leading International Venture Capital Group
c£40,000

Schroder Ventures is one of the UK's largest Venture Capital and management buyout specialists and is an international leader with offices in the US, Canada, Japan and Germany. It is also one of the longest established having its origins in the 1930's. Recent expansion in funds under management, now totalling over US$300 million, has been rapid and this is planned to continue.

Your task would be to help set up and to administer the world-wide spread of management companies and funds, and their shareholder and trustee relationships. You would work in London for the Executive Chairman and would be a member of the senior executive committee, along with the chief executives for each country.

You need to have had experience in a financial management or company secretarial position with responsibility for a complex set of overseas subsidiary companies. This could have been in financial services or in industry. A relevant professional qualification is important. Age 38-50.

Your name will not be released until we have briefed you and you have given your consent. Please write to me, Simon Still, Consultant to the organisation.

Business Development Consultants (International) Limited
63 Mansell Street
London E1 8AN

BDC

DIRECTOR OF FINANCE

£25,000 + (pay award pending)

Southampton, a progressive and major District Council, invites applications from suitably qualified accountants for this challenging post as Director and Controller of the financial services of the City.

A proven record of managerial success and the ability to contribute to new economic and financial planning initiatives is a must.

Conveniently located in the City Centre the post attracts generous removal and re-settlement expenses, an essential user car allowance and assisted car purchase scheme. (Car lease scheme soon to be introduced).

For an application form and job description, please contact Director of Personnel and Management Services, Civic Centre, Southampton, Hants. S09 4ZF. Telephone: (0703) 832832. (Answerphone out of office hours quoting reference number MA01). Closing date: 30th March 1987.

SOUTHAMPTON CITY

Your application will be judged solely on its merits irrespective of race, marital status, sex, sexual orientation, age, religion or disability.

An equal opportunity employer

Finance Manager

International Banking **c£35K + Benefits**

Our client is a leading International Bank, with an outstanding reputation for offering a wide range of innovative financial services.

They currently require a Finance Manager to join their Head Office team, to take responsibility for providing statutory accounts, monthly management accounts, budgets, project appraisal and systems development.

Candidates will be qualified accountants, in the age range 28-35, with experience in the finance sector, ideally within investment or international banking.

This is a high profile position involving contact at all levels of the bank thus strong interpersonal skills are essential. Excellent career prospects await the successful applicant.

If you possess the necessary qualities and are excited by the challenge offered, you should write to **Jon Anderson, ACMA, Executive Division,** enclosing a comprehensive cv and daytime telephone number quoting ref. 388 at **39-41 Parker Street, London WC2B 5LH.**

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Accountant

to £30,000 **London, WC2**

The Imperial Cancer Research Fund, a world leader in research into prevention, control and cure of cancer, operates specialist laboratories employing some of the most eminent scientists in the world.

Its voluntary and commercial fund-raising activities contribute to a total income of approximately £35 million, with assets in excess of £65 million, calling for careful professional financial management. The Fund forecasts continued growth in its research and the supporting finance and administrative systems.

A qualified Financial Accountant, preferably Chartered and aged mid-thirties to mid-forties, is sought to manage the integrated computerised accounts function. The post calls for a practical approach and experience in a management role in the finance department of a substantial structured organisation, with in-depth experience of integrated computerised accounts. An insurance or merchant banking background, though not essential would be helpful but candidates with other relevant experience are very welcome to apply.

Applicants should write, with a full CV and day time telephone number, quoting reference 1491 to:

BinderHamlyn MANAGEMENT CONSULTANTS
Roger Bull, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

Trencherwood PLC

Group Financial Controller

Newbury, Berkshire *Circa £26K + BMW + Bonus*

Trencherwood is one of the largest companies on the Unlisted Securities Market and is a leading Property Developer.

It has a young dynamic Management Team committed to continual growth and is looking for the right person to head up the financial control function.

Reporting to the Group Finance Director this person will be a Chartered Accountant in his/her late 20's and will currently be earning in excess of £20k per annum. He/she will be highly motivated and ambitious and will have had a successful post-qualification track record gaining responsibility at an early stage.

This position involves all aspects of financial control including finance negotiation and systems development.

If you wish to expand your horizons and become involved in our rapid expansion please send a current c.v. to:

Mr. G.C. Fairclough
Haines Watts Financial Services
Palladium House, 1-4 Argyle Street, London W1V 4AD

FINANCIAL CONTROLLER

Midlands **c. £25,000 + Car**

Our client is a fast expanding and highly successful quoted group of companies in the consumer manufacturing sector. The group is developing rapidly and this has prompted the creation of a new position as financial controller of a multi-site manufacturing division with a turnover of £15 million.

Candidates should ideally be aged between 30 and 40, and should be qualified accountants with at least three years experience in senior roles within medium sized manufacturing companies. Previous experience of developing computer based costing and financial systems is highly desirable.

This position requires a person with a flexible approach to financial management, capable of adopting a shirtsleeves style where appropriate but at the same time able to operate at board level in providing strategic advice, and assisting in planning the long range development of the business.

Since the business is developing rapidly the successful candidate will need a strong but diplomatic personality, and be able to relate to staff at all levels of the business in order to implement changes without disrupting the smooth running of the company. Significant career opportunities can be expected to develop from this position.

If you feel you meet these requirements, please write in confidence, enclosing a full curriculum vitae to Alan Coppock, Executive Selection Division, quoting reference number L/722.

PEAT MARWICK
Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Financial Controller

West End
c.£27,500 + Car + Benefits

Cable Television is already bringing entertainment into the homes of thousands, and is rapidly establishing itself as a prominent force in the entertainment industry. Our client, Westminster Cable Television, is a young energetic organisation with sound financial backing, enjoying the sole marketing rights of this technology driven product within Central London.

A commercially astute individual is required to take responsibility for the company's financial affairs. Reporting directly to the Managing Director you will become a key member of the management team, and as such be required to play an important part in future planning and policy making. However, your brief will also include supervising the accountancy function, and effective use and development of the existing computing facilities.

Applicants must be "computer-literate", qualified accountants, probably in their late 20's—early 30's, capable of planning and managing growth. This is a senior position demanding demonstrable managerial ability gained from within a service industry environment. It is not a position for the faint hearted, but for a professional wishing to build a long term career in the industry.

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R.D. Howgate. Ref: M11001/FT. Male or female candidates should telephone in confidence for a Personal History Form, 061-832 3500, Hoggett Bowers plc, *St. John's Court, 78 Gartside Street,* MANCHESTER, *M3 3EL.*

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Interested applicants should write to Andrew Sales FCCA, enclosing a full curriculum vitae, and a daytime telephone number, and quoting reference LM865, at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

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The post should be attractive to young, high calibre qualified accountants who are keen to develop their career in a dynamic progressively managed environment. The company has invested heavily in computer systems and therefore you will need to be computer literate. A working knowledge of Lotus 1, 2, 3 would be particularly advantageous. In addition to your accounting abilities you will be expected to bring to the role well developed communication skills and a strong commitment to the achievement of your objectives.

Based in Wembley, the post carries an attractive salary, company car and an excellent range of other competitive benefits.

Applicants of either sex should apply in confidence to Michael Johnson on (0962) 53319 (24-hour service) or write to Johnson Wilson & Partners, Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX quoting ref. 738.

Johnson Wilson & Partners
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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday March 12 1987

Clark Equipment selling finance subsidiary

By William Hall in New York

CLARK EQUIPMENT, the world's leading lift truck manufacturer which has lost money in three of the last five years, is selling its US finance company to Chase Manhattan for $188m and using part of the proceeds to buy back 16 per cent of its shares.

Mr Leo McKernan, who replaced Mr James Rinehart as Clark's chief executive last May, said yesterday that the company was just beginning to see the benefits of the recent major restructuring of its business, which has been facing fierce competition from overseas manufacturers, particularly the Japanese.

"Our programmes to restore profitability are on schedule and expected to result in substantial improvement for the company in 1987 and a return to profitability in 1988," said Mr McKernan. Clark shares rose by $½ to $24⅜ in early trading yesterday, valuing the company at $460m.

In addition to selling Clark Equipment Credit Corporation and repurchasing up to 3m of its shares, Clark has also unveiled several other actions to "enhance the value of stockholder investment."

These include the adoption of a stockholder rights plan, or so-called poison pill, the repayment of a portion of the company's debt and establishment of a new management compensation programme.

Clark also disclosed that it had dropped plans for a joint venture with Eaton Corporation to manufacture and market a complete line of automotive transmissions.

Alan Friedman describes how a bigger stake in Montedison made Raul Gardini the envy of stockbrokers

Ferruzzi chairman becomes toast of Milan bourse

THE DECISION this week by Italy's Ferruzzi agro-industrial concern to boost its shareholding in the Montedison chemicals group from 27.6 per cent to more than 37 per cent may not seem at first glance like a radical development. But in the world of Italian finance yesterday it was having an earthquake-like impact.

Mr Raul Gardini, the shrewd Ferruzzi chairman whose backwoods image belies both his enormous wealth and his ambition, was being toasted on the Milan bourse for having reinforced his position of effective control in Montedison. The fact that the 53-year-old Mr Gardini was being feted by many stockbrokers, bankers and newspapers says much about the culture of Italian capitalism.

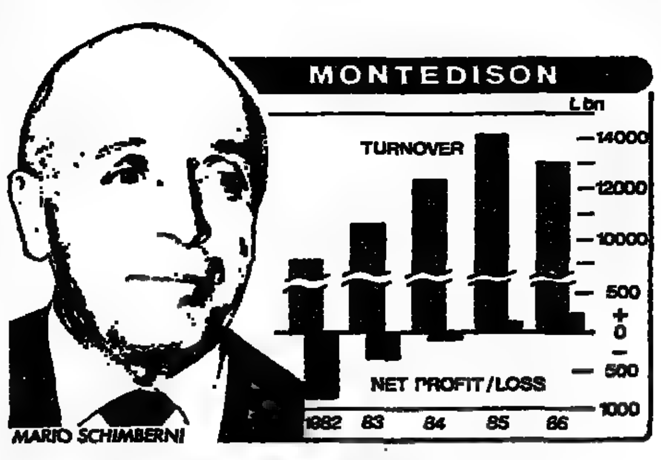
This culture on the one hand is desperate to modernise its markets, institutions and regulatory framework while on the other hand it is ever in search of a *padrone* or entrepreneur-proprietor of a company.

With the rapid growth of Italy's economy in recent years the *padrone*-entrepreneur has become a popular figure in society, a star. Thus Mr Gianni Agnelli of Fiat is the *avvocato*, or lawyer, whose every move is followed. Mr Carlo De Benedetti of Olivetti is the *ingegnere*, or engineer, whose exploits are also chronicled on a frequent basis. Mr Gardini, who is fond of referring to his agricultural roots in the countryside, is sometimes known as the *contadino*, or farmer.

The Ravenna-born Mr Gardini has on the surface got himself a bargain, paying L320bn ($243m) for control of Pafinvest, a financial holding company which, in turn, controls just under 10 per cent of Montedison ordinary stock, with a market value of L503bn. But analysts were yesterday hinting that Pafinvest may have substantial debts which have not been disclosed.

The question everyone in Milan is asking, however, concerns Mr Gardini's objectives in moving to reinforce substantially his position of effective control (albeit by means of a minority shareholding) of Montedison.

Mr Mario Schimberni, the maverick chairman of Montedison, who has worked hard in recent years to



Montedison chairman Mario Schimberni's restructuring of the company has made it an attractive target.

restructure the group both industrially and financially, issued a terse statement as word of the Ferruzzi share purchase spread on Tuesday. Mr Schimberni said he had not been informed of the deal.

Yesterday the stock market was full of speculation about whether Mr Gardini and the 64-year-old Mr Schimberni would fall out now that the former had asserted himself so obviously as the *padrone* of Montedison. There was talk of Ferruzzi striving to achieve 51 per cent control of Montedison. There was also talk of Mr Gardini seeking eventually to sell Montedison assets to pay off his own loans.

Most of all, there was tension inside Montedison's Milan headquarters, the kind which normally accompanies the arrival of a new proprietor. In this case, the proprietor – Mr Gardini – had obtained effective control of Italy's second-biggest private-sector group after Fiat. Montedison had 1986 sales of around $10bn against Ferruzzi's estimated $7bn.

Yesterday, the Montedison share price declined by 3 per cent to L2,730 – that, however, was probably a reflection of market sentiment that with Mr Gardini's position strengthened there would be little scope for further speculation.

What exactly are Ferruzzi's intentions in respect of Montedison? Mr Gardini was yesterday strolling around an agricultural fair in Verona and could not be reached for comment. A senior Ferruzzi executive explained, however, that Mr Schimberni and the entire management of Montedison "has Mr Gardini's fullest confidence."

He denied that there were any plans for major change, noting that even on Mr Gardini's favourite subject – the conversion of grain surpluses into ethanol – there was already co-operation between Ferruzzi and Montedison.

In Milan, meanwhile, the talk centred more on whether Mr Gardini would seek to sell off some of Montedison's prize assets. It seems unlikely that he would wish to sell off the cash-rich La Fondiaria insurance subsidiary. Montedison has a 40.5 per cent stake in the insurer which is worth L2,400bn on the market.

Another issue which seemed to be worrying Montedison executives was whether Mr Gardini has any plans to interfere with the company's overall strategy, which has seen it diversify away from base chemicals increasingly into advanced materials, bulk pharmaceuticals, energy and, most of all, financial services.

For the time being it would not be in keeping with his casual backwoods style for Mr Gardini to spring any surprises at Montedison. "We think it is a good investment," said a Ferruzzi executive, who then proceeded to criticise "all of this speculation about ulterior motives." Down at the bourse, however, the speculation about "motives" continues.

Hughes Tool agrees merger proposal

By Our Financial Staff

THE BOARD of Hughes Tool, the *world's largest maker of drill bits*, has approved a new agreement with the US Justice Department that would allow the company to complete its proposed $1.6bn merger with Baker International, the west coast oilfield services group.

The agreement, appoved by the department earlier this week, will give the merged company, Baker Hughes, six months instead of three to sell Baker's domestic oilfield drilling bit business and its domestic submersible electric pump business.

The pact also allows a three-month extension, if warranted, and limits the obligation of the new company to give financial support to the businesses to be divested, pending their sale.

Hughes had repeatedly *adjourned a shareholders' meeting to* approve the deal, objecting to anti-trust provisions laid down by the department. This had irritated Baker, which last week filed a suit to compel Hughes to complete the deal.

"Hughes will work with Baker and the Justice Department towards negotiating the final form of the consent decree and filing it as soon as possible," the company said. Closing of the merger would occur immediately after the filing, it said.

The financial terms of the merger are unchanged, Hughes said. Under those terms, each Baker common share and Hughes common share would be converted into one share and ⅘ of a share, respectively, of Baker Hughes, which would be formed as a new holding company.

Baker International said it was gratified by the Hughes board's decision.

VW tight-lipped on currency fraud as share price tumbles

BY ANDREW FISHER IN FRANKFURT

VOLKSWAGEN shares fell sharply yesterday in the wake of the news of its heavy losses through currency fraud, with the West German motor group declining any further comment on the affair.

Several analysts expected the shares to fall even further after yesterday's DM 24.90 drop to DM 323.30, which followed a decline of around DM 20 in London after-hours trading on Tuesday.

"I'm astonished how high the price is," said Mr Hans-Joachim Pils, head analyst at Bank in Liechtenstein (Frankfurt), noting that VW had also suffered other reverses such as higher than expected losses at its Seat subsidiary in Spain and in South America.

VW said yesterday it had nothing more to say about the DM 480m ($259.5m) currency losses. The Wolfsburg-based group would now wait for the result of the criminal inquiries into the allegedly fraudulent foreign exchange deals.

The company is expected to meet the currency losses out of its reserves, which totalled about DM 9bn at the end of 1985. Full details of the 1986 results will be given at the end of April.

VW said it had long followed a policy of not hedging on the foreign exchange markets, believing that short-term currency swings such as the sharp rise and fall in the dollar eventually balanced out.

The state prosecutors will thus be investigating whether fraudulent currency deals were carried out by people inside and outside the group.

VW has assured shareholders that their dividend will be maintained and that declared net profits will be similar to the almost DM 600m of 1985 – double that of the previous year.

The VW currency losses unsettled the stock market yesterday, with other motor shares also slipping. They also caused some nervousness on the foreign exchange scene, *though dealings were little affected*.

Analysts noted that there had been past suspicions, when poor quarterly figures were suddenly succeeded by a set of much better ones, that VW had indulged in currency operations. But VW has always *denied this*.

However, Mr Stephen Reitman, European motors analyst with Phillips and Drew, the UK stockbrokers, said VW was still left with a credibility problem. "This has left them with egg on their face."

Canadian trusts poised for Big Bang

By Bernard Simon in Toronto

THREE Canadian trust companies have unveiled divergent strategies for the forthcoming abolition of ownership curbs in the domestic securities industry.

Canada Trust and Royal Trust, the two largest trust companies, have both indicated in the past week that concerns about potential conflicts of interest will limit their involvement in the brokerage field.

But First City Trust, the medium-sized group controlled by the acquisitive Belzberg family of Vancouver, plans to enter a wide array of other financial services, including investment banking, brokerage and insurance.

Trust companies' traditional business has rested mainly on two legs, namely, mortgage lend-

More international company news on Pages 18, 21 and 35

ing and fiduciary services, such as estate administration. But they have broadened their horizons in recent years to become quasi-banks, offering a wide range of deposits, consumer loans, limited commercial business and other banking services.

Canadian banks, which are expected to become increasingly active in the securities business after the Big Bang planned for June 30, are barred at present from offering fiduciary services.

Mr Mervyn Lahn, Canada Trust's chairman, told the annual meeting this week that ownership of a securities dealer was not being considered "because of virtually insurmountable conflict-of-interest problems with our fiduciary operations."

Similarly, Mr Michael Cornelissen, president of Royal Trust, said: "It is difficult to be an asset manager and also a broker." Royal Trust is in the process of selling an interest in British stockbrokers Savory Milln which it acquired last year as part of its takeover of Dow Financial Services.

By contrast, First City Trust has just launched a C$45m (US$33.7m) public share issue, partly with the aim of strengthening the company for diversification. The issue will reduce the stake of First City Financial, the Belzbergs' main holding company, from 100 per cent to 72 per cent.

Liberty Life unit eyes UK listing

BY JIM JONES IN JOHANNESBURG

LIBERTY LIFE, South Africa's largest quoted insurance company, is considering a London listing for its TransAtlantic Insurance Holdings affiliate in the UK, but Mr Donald Gordon, Liberty chairman, declined to elaborate yesterday on other plans by the company for its British investments.

In 1986 three rights issues reduced Liberty's interest in TransAtlantic to 49.3 per cent from 75 per cent, and Mr Gordon says that informal discussions have been held with the London Stock Exchange on the possibility of listing TransAtlantic this year.

In January TransAtlantic used its 26 per cent interest in Sun Life to block plans by the British insurance company which would have diluted TransAtlantic's interest.

Mr Gordon said in Johannesburg yesterday that Mr Peter Grant, Sun Life's chairman, had invited him to dinner last week "to discuss things." The issues presumably include representation on Sun Life's board, from which Liberty has been excluded even though the South Africans control the largest individual block of Sun Life shares.

Liberty yesterday reported that its total assets reached R10bn ($4.78bn) on January 1 1987 when, subject to confirmation next week, its merger with Prudential Assurance of South Africa came into effect. The transaction has left the British Prudental with 7 per cent of Liberty's equity.

Over 1986 Liberty's assets rose to R7.67bn for R6.52bn. Mr Gordon pointed out that this was achieved despite deconsolidation of TransAtlantic, which represents 11.4 per cent of Liberty's total R7.27bn investment portfolio. TransAtlantic is now equity accounted by Liberty.

Net premium income rose to R932.2m from R686.9m while income from investments rose to R506.1m from R377.2m. Net profits increased to R90.1m from R64.1m.

Stora ahead 18% despite flat sales

By Sara Webb in Stockholm

STORA of Sweden, Europe's leading pulp and paper producer, increased profits for 1986 by 18.2 per cent on virtually stagnant sales.

The group showed a strong improvement in the last four months of 1986, helped by a marked recovery in pulp prices, and greater demand for its products, particularly in Europe.

Profits after financial items were SKr 1.344bn in 1986 compared with SKr 1.136bn the previous year. Sales totalled SKr 12.996bn against SKr 12.921bn in 1985.

The group invested SKr 1.353bn in new machinery. Extraordinary gains amounted to SKr 35m compared with SKr 203m the previous year as gains from the sale of shares in the Finnish forestry company Kaukas and the West German packaging company Altonaer Wellpappenfabrik were offset by closure and restructuring costs for three sawmills.

Stora expects strong demand for forestry products and an increase in the pulp prices to yield better results in 1987.

The group now has over 90 per cent of the shares in Papyrus, the domestic rival which it bid for last October, and estimates that the takeover has cost about SKr 6bn. Papyrus results would have brought group profits up to SKr 1.8bn in 1986 if they had been included.

The new Stora group could have a total turnover of SKr 18bn and profits of SKr 2.5bn in 1987, according to a Stora executive.

Stora is keen to increase its interest in fine paper. Fine paper capacity is currently 400,000 tonnes a year, but management may increase capacity by a further 150,000 tonnes by investing in the Gruvoen plant. Newsprint capacity is also being increased from 450,000 tonnes to 600,000 tonnes.

The board proposes increasing the dividend from SKr 6.00 to SKr 7.50.

Glaverbel sets terms for public share issue

BY TIM DICKSON IN BRUSSELS

GLAVERBEL, the Belgian company which is Europe's largest manufacturer of float glass, plans to raise BFr 4.4bn ($114.6m) of new capital when it introduces its shares to the Belgian stock exchange later this month.

The group announced yesterday that 340,000 new shares will be issued which along with 500,000 owned by the company's controlling shareholder, Asahi Glass of Japan, will form the basis of a public offer for sale between March 23 and 27.

The price has been fixed at BFr 1,850 a share, with employees able to subscribe for their allocation at a *5 per cent discount*.

The result will be to reduce Asahi's holding from 73.6 per cent at present to 56.7 per cent after the introduction. Employees and the public will account for just over 20 per cent with Glaverbel's existing shareholders – among them the insurer Assubel and the Walloon regional investment company – accounting for the rest.

Glaverbel's turnover rose from BFr 17.45bn in 1985 to BFr 18.38bn last year with consolidated profits – before taxes and exceptional items – showing a substantial leap over the period from BFr 720m to BFr 1.79bn. The company has 5,000 employees and 17 plants throughout Europe – including eight in Belgium and two each in France, the Netherlands and Spain.

Glaverbel was a world leader in stretched glass in the 1960s but ran into trouble in the early and mid 1970s as a result of technological change, difficulties in the US market, and the oil price shock.

The company was controlled by BSN from 1972 before being taken over by Asahi, part of the Mitsubishi group, in 1981.

Novo decline continues

BY HILARY BARNES IN COPENHAGEN

NOVO'S earnings fell for the third successive year, with exchange-rate movements and substantial investment expenditure contributing to last year's decline, the group said in a preliminary statement.

Chief executive Mr Mads Övlisen said: "1987 does not look like a turnround year, but our goal is to improve the recent years' declining trend in our earnings."

Earnings per share, which peaked at DKr 28.70 in 1983, were down from DKr 23.79 in 1985 to DKr 20.45 as net profits dropped from DKr 604m ($88.9m) to DKr 521m and pre-tax profits from DKr 872m to DKr 788m.

An unchanged dividend of 20 per cent, or DKr 4 a share, was proposed.

Sales advanced 2 per cent to DKr 4.21bn. Currency hedging mitigated, but did not eliminate, the effects of exchange-rate changes, said the statement. The average value of the krone appreciated 17 per cent against the dollar last year and 18 per cent against sterling.

Sales by the bio-industrial group, which includes enzymes, decreased by 2 per cent to DKr 1.65bn, mainly owing to exchange-rate changes.

The pharmaceuticals division increased sales by 5 per cent to DKr 2.49bn, with insulin volume sales up by 5 per cent. Sales of human insulin more than doubled

AIBD BONDS INDICES

Weekly Eurobond Guide March 10, 1987	Redemption Yield	Change on Week	12 Months High	12 Months Low
US Dollar	8.518	0.000	9.747	8.440
Australian Dollar	9.665	0.328	14.670	12.830
Canadian Dollar	9.665	−0.617	11.482	9.633
Euroguilder	6.104	−0.082	6.314	5.840
Euro Currency Unit	8.606	0.486	9.290	8.164
Yen	5.644	−1.449	6.702	5.210
Sterling	10.113	−2.666	11.609	9.751
Deutschemark	6.118	0.666	6.652	6.071

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INTL. COMPANIES AND FINANCE

Seagram sells cheap-wine unit

BY WILLIAM HALL IN NEW YORK

SEAGRAM, the world's largest producer of distilled spirits and wines, has ended its 3½ year effort to become a major force in the cheap US table-wine market and is selling its major mass-produced wine brands for $200m in cash.

Seagram, which runs a distant second to the family owned E&J Gallo in the US wine market, said it had agreed to sell Taylor California Cellars, Taylor New York, Great Western, Paul Masson and Gold Seal Wines to Vintners International. This is a new company formed by Mr Paul M. Schlem, who headed Gold Seal when it was bought by Seagram in 1979, and Mr Michael Cliff, the English-born president of Seagram Wine.

Seagram's decision to sell its cheap table-wine brands follows several relatively unprofitable years in the business. Taylor and Great Western were part of Wine Spectrum which Seagram acquired from Coca-Cola in 1983.

Mr Edgar M. Bronfman, Seagram's chief executive, said that the market for medium-priced table wines had not developed as expected and the company would concentrate on producing premium wines. To this end it is retaining the premium Californian wines of Sterling Vineyards and the Monterey Vineyard.

Under the agreement Seagram will retain all rights in Canada to the Paul Masson brand, including production, and will also have the exclusive right to market outside the US all of the brands involved in the transaction. The agreement includes the sale of wineries and vineyards in Gonzales, Soledad and Madera, California, and Hammondsport, New York.

Grace suffers charge

By Our Financial Staff

W.R. GRACE, the US chemicals and natural resources group, suffered a fourth-quarter operating loss of $402.4, or $9.57 a share, after taking a $589.8m charge for restructuring which includes the sale of its fertiliser business.

For 1986 the group incurred a loss of $375.4m, or $8.94, against a profit of $87.6m, or $1.67, for 1985, on sales of $3.73bn, up from $3.55bn. Sales for the quarter were little change at $1.06bn.

The company said its restructuring should lead to profits in 1987. Under the programme the company plans to sell its fertiliser business and has made provision of $221m for the loss on the sale.

Crédit Commercial bank in black

BY GEORGE GRAHAM IN PARIS

EUROPEENNE DE BANQUE, the former Rothschild bank now part of the state-owned Crédit Commercial de France group, returned to financial health last year with an operating profit of FFr 120.7m ($19.6m), up 83 per cent from the previous year.

However, the bank, which made its first modest profits in 1985 after three years of losses, had to make sizable provisions last year to cover country risk and exceptional costs for job cuts.

Crédit Commercial de France, which owns 51 per cent of Européenne de Banque with the remainder held directly by the French state holding company CFPB, is due to be privatised in the next two months, which will bring its subsidiary into the private sector.

Last year's provisions left net profits of FFr 13.3m compared with FFr 6.7m in 1985 and losses of FFr 337.3m in 1984.

Exceptional provisions for early retirement of employees amounted to FFr 26.4m last year, and country risk provisions rose 60 per cent to FFr 33m.

Mr Roger Prain, Européenne de Banque's president, said the bank's exposure in risk countries, especially in Mexico, Venezuela and South Africa, was now 24 per cent covered.

Oriflame Int'l

BECAUSE of a production error, 1986 pre-tax profits for Oriflame International were wrongly stated in the Financial Times yesterday. They were in fact £7.41m ($11.7m) compared with £5.89m.

Tax haven for Japan's LDC loans

Ian Rodger on a novel device for shifting problem debt off banks' balance sheets

JAPAN'S BIG banks have found a novel way to remove some of their troublesome loans to less developed countries (LDCs) from their balance sheets. However, the scheme could have negative repercussions on banks elsewhere in the world which have large loans outstanding to LDCs.

Within the next week or so, some 28 Japanese banks will set up a company in the Cayman Islands to take over some of their LDC loans. The loans will be sold to the company at deep discounts, perhaps as high as 60 per cent of face value, and the banks will be allowed to deduct the resulting capital losses from taxable income in Japan.

Although the plan involves the use of a tax haven and will reduce the banks' tax liabilities in Japan, it has the support of Japan's Ministry of Finance. Indeed, the MoF, which has been concerned at the high degree of exposure of some Japanese banks to LDC debt, is credited by many with having thought of the scheme. The speed with which it has been adopted — it first came to public attention only a few weeks ago — reflects an unusual degree of official support.

Japanese banks hold a total of about $60bn of LDC loans, while Bank of Tokyo and Sumitomo Bank are particularly heavily exposed. Last autumn, while negotiations on the rescheduling of Mexico's debt were under way, the banks lobbied the MoF intensively to enlarge the amount of bad debts — now only 1 per cent of total loans — that they could deduct annually from taxable income.

The MoF's tax bureau refused this request. Some observers think the Cayman Islands scheme is an attempt by the ministry to provide an equivalent benefit without changing the tax code.

Japanese banks have been under increasing pressure in the past few months from financial authorities in the US and Europe to improve their capital adequacy ratios. The sale of LDC debt would help reduce their total lending while providing tax relief for the realisation of capital gains on securities.

Banking industry officials say 28 banks have now agreed to participate in the new company. The banks are keen to see the company set up before the end of this month, so that they can strengthen their balance sheets before the financial year closes at the end of this month.

Financing has not yet been finalised but it looks as though the banks themselves will subscribe for most, if not all, of the company's capital. The plan is that they will also take preference shares in return for their LDC loans. Dividends will be paid if and when capital or interest payments are made on the loans. The Japanese Government would then tax those dividend payments as income to the banks.

There have been suggestions that the company will help simplify future negotiations between debtors and lenders by concentrating the loans in one place rather than involving representatives of each bank.

However, it seems that the company will start modestly, taking over a small percentage of the banks' LDC loans, and only those that involve new money or rescheduling. The Japanese interest in the $6bn Mexico package, which may be signed this week may be the first to go into the new venture.

One area of potential controversy is the establishment of discounts for various developing countries' debts. MoF officials says they want this to be done by the market, but there is not much of a market yet in discounted LDC debt and it is not clear how it will be created. Moreover, if one is set up, auditors of banks in other countries might well require their clients to reduce the value of their LDC debts to the market level.

It is also unclear what attitude Japanese banks will take towards new LDC debt once they have started reducing their existing portfolios.

New Sydney futures contract

By Alexander Nicoll

THE SYDNEY Futures Exchange is to launch a new stock index futures contract based exclusively on Australian shares on which equity options are traded.

The contract, due to be traded before June, is designed to attract arbitrage activity between the stock and futures markets, enhancing the liquidity of both.

The SFE already trades futures on the broader All Ordinaries share index contract, which traded some 66,000 lots during February. The exchange's overall volume in February set a new record of 385,483 contracts, 55 per cent above the same month in 1986.

Canadian banks' ratings lowered

THE CANADIAN Bond Rating Service has downgraded ratings for long-term senior debt and subordinated debentures at Royal Bank of Canada and Bank of Montreal, partly because of loan loss problems, Reuter reports from Montreal.

Rise in international borrowing

BORROWING ON the international capital markets rose moderately in February with $25.9bn of medium and long term funds raised, up $1.5bn from January and up $3.2bn from February last year, Reuter reports from Paris.

According to the latest monthly report of the Organisation for Economic Co-operation and Development (OECD), borrowing on external bond markets totalled $20.8bn, some $2.8bn more than in January.

As in January, exchange rate uncertainties had a major impact on the currency composition of new bond issues, wit hissues in dollars totalling only $6.5bn against a monthly average of over $10bn in 1986.

"The share of the US dollar in total external bond offerings has fallen below 32 per cent this year — the lowest figure in the present decade," the report said. It added that the market has absorbed a record volume of yen offerings.

The market for floating rate notes (FRNs) saw further serious difficulties and the volume of new offerings was only $1.4bn against a 1986 monthly average of $4.2bn.

However, the OECD reported that issues of straight bonds, and especially equity-related issues, continued at a brisk pace.

In the syndicated credit market, the volume of new loans declined to $3.9bn in February from $4.7bn in January. Activity on the market for note issuance and other back-up facilities continued to be particularly subdued, with a total of only $1.2bn completed in February, some $500m less than the already depressed figure for January.

OECD borrowers accounted for some 85 per cent of total borrowing in February, with leading borrowers including the US with $4.5bn, Japan, $3.1bn, and France with $2bn.

Net earnings 10% ahead at Italcable

BY JOHN WYLES IN ROME

ITALCABLE, Italy's public company which handles overseas telecommunications traffic, has reported a 10.3 per cent increase in net profits to L67.7bn ($51.4m) last year.

Revenues showed much smaller growth of only 3.7 per cent to reach L625bn. Shareholders are to be asked to increase the company's share capital from L154bn to L176bn through a rights issue.

Italcable, which is 54 per cent owned by the Stet group, which in turn belongs to IRI, the state holding company, said that terminal telephone traffic rose by 13.5 per cent last year, while transit telephone traffic leaped by 33.5 per cent.

Important developments in the past year include Italcable's participation in the construction of a Mediterranean and transatlantic optical fibre cable network and the purchase of a 30 per cent holding in American Voice Mail International, a leader in recorded voice communications and services.

French plan government securities sales drive

By George Graham in Paris

THE FRENCH Government is beginning a campaign to promote sales of its bills and bonds both within France and abroad.

A television campaign starring Mr Paul-Loup Sulitzer, the best-selling financial thriller writer, will start later this month to persuade company treasurers and small insurance companies to buy government securities.

"If you buy a big name, you make sure of your liquidity," the slogan runs.

At the same time, primary dealers in the Paris market are signing up foreign securities houses to distribute French government bonds and bills overseas.

Caisse des Depots et des Consignations, the state financial institution which is one of the 13 primary dealers recently nominated by the French Treasury, has reached agreements with Standard Chartered, the UK bank, and with Shearson Lehman, the US investment house, to secure their "best efforts" to place French government paper with their non-resident clients.

The agreements are not exclusive, and the Caisse hopes to sign up to two more agreements. One is expected to be with a Japanese house, and the other with a West German or Swiss bank.

The campaign to spread French government paper abroad follows widespread dissatisfaction in the past among foreign investors with delivery and settlement procedures in the French market.

"There have been problems with the quality of service and the execution. Some non-residents swore they would not come back to the French market," says Mr Yves Gamelin, deputy director in charge of the debt markets at Caisse des Depots.

Overseas investors have, however, kept themselves better informed of the radical changes in the structure of the French government securities market than many company treasurers and smaller institutions within France.

The Government has opened up a new market in negotiable Treasury bills, now worth over FFr 240bn—with more than FFr 50bn held by non-bank investors—as well as parallel markets in certificates of deposit and commercial paper.

In the longer term debt market it has also switched to a system of selling tranches of bonds at regular monthly auctions rather than the single annual loan practiced before.

The system still puzzles many smaller company treasurers, while the complexities of the one-year-old financial futures market leave most of them baffled.

Paris acts to tighten rules on disclosure

By Our Paris Staff

PREDATORS IN the French stock market will soon find it more difficult to build up stakes in their target companies without having to show their hands.

The French Government plans to introduce new legislation this year which will lower the thresholds at which investors have to declare their shareholdings.

The new rules, which are to be added to a bill to introduce a new form of retirement savings plan, will lower the initial declaration threshold to 5 per cent of the capital of the company.

Under the present rules an investor has to notify the stock exchange commission when his holding passes 10 per cent, and again at 33.5 per cent and 50 per cent.

The Finance Ministry declined yesterday to say what the new thresholds would be. The disclosure levels proposed by the stock exchange commission, however, are 5 per cent, 10 per cent, 20 per cent, 33.5 per cent and 50 per cent.

The introduction of stiffer disclosure requirements is expected to prevent a number of French companies from carrying out a threat to revert to issuing named share certificates, which would slow down considerably the settlement of transactions on the bourse.

French companies have become increasingly agitated about the threat of hostile takeovers. Groups including BSN, the food producer, Pernod Ricard, the drinks group, and last week Moet-Hennessy, the champagne and brandy house, have set up "shark repellent" defence mechanisms designed to make a hostile bid unprofitable or unattractive.

The planned legislation will also allow companies to ask mutual funds and financial intermediaries to disclose to them their indirect shareholders.

ICI's £100m Eurosterling bond meets strong demand

BY CLARE PEARSON

IMPERIAL CHEMICAL Industries of the UK yesterday launched an 18-year £100m Eurosterling issue, the first deal with so long a maturity in this sector since last August, to an enthusiastic reception as the London gilts market continued to surge ahead.

Dealers agreed that the issue, which was led by Warburg Securities, had met strong demand from both foreign and UK investors. In this respect it differed from most of last year's long-dated Eurosterling deals, which were chiefly bought by UK institutions.

One of the main attractions of the 9¾ per cent issue was that it was 30 per cent partly paid. This feature appeals to domestic institutions because it mirrors the structure of domestic corporate bonds, while at the same time attracting overseas investors who fear a fall in sterling before the balance is payable next July.

Additionally, the issue provided an attractive pick-up in yield over comparable gilts. At the time of launch, the deal, priced at 101¼, gave a yield net of fees of 40 basis points over the benchmark Treasury Stock 13½ per cent 2004/08.

Launched during the morning, as the UK Government's new £1bn tap rapidly sold out, ICI's deal traded at around 100 bid, against 2½ per cent fees. It closed slightly lower at less 1½ bid.

The Eurodollar market traded in lacklustre fashion. Only one new straight fixed rate issue emerged—a three-year deal for News International, the UK arm of News Corporation, Mr Rupert Murdoch's media group. This was designed to appeal to investors wishing to swap it into a floating rate instrument.

The $100m 7½ per cent bond, priced at par, provided initially a yield margin of about 130 basis points over US Treasury bonds. It was the first issue by the borrower in fixed rate dollars.

This deal was led by Credit Suisse First Boston, which was also busy bringing borrowers to the equity-related Eurodollar market. One of the issues was a $100m 15-year convertible for Genentech, the US bio-technology company. The issue benefited from the current popularity of this sector, and traded at a hefty 6 point premium to its par issue price.

The issue has an indicated coupon of between 5 and 5½ per cent, and the conversion premium is indicated at between 20 and 25 per cent. It is callable at 106 and then at premiums declining by 1 per cent per year.

—CSFB's other deal was a $120m five-year equity warrants issue for Banca Nazionale del Lavoro, the Italian bank which is largely state-owned. The issue carries 120,000 warrants exercisable into the company's savings shares, which are the only types of its shares which are available to the public. The five-year warrants are issued by Efibanca, a medium-term credit institution with is 86.5 per cent owned by BNL.

INTERNATIONAL BONDS

The issue has an indicated coupon of between 5½ and 6 per cent. The exercisable premium will be 10 per cent above the closing price of the savings shares on the Milan stock exchange on the day when the terms are fixed, which will be on or before March 17.

Swiss Bank Corporation International fixed the terms on its recent convertible for Storehouse, the UK retailer. The issue was increased by £9m to £69m. The coupon was fixed at 4½ per cent—the lower end of the indicated range—and the conversion price at 346p. The deal was quoted at 104½ bid.

Salomon Brothers International led a $228m issue of collateralised mortgage obligations for its vehicle, CMO Eurotrust. The deal has a stated maturity of 2017, although the expected average life it 3.6 years. It pays interest at a margin of 40 basis points over three-month London interbank offered rate, subject to an interest rate cap of 11½ per cent.

The deal, which has 15 basis point fees, traded at around its issue price.

Banque Paribas Capital Market led an Ecu 150m seven-year issue, with an Ecu 50m tap which is exercisable for the next six months, for Credit Foncier de France.

The issue attracted institutional demand both in Europe and Japan because of the appeal of its size, promising that it would be liquid, and seven-year maturity—the area where most of the buying of Ecu bonds has been taking place recently.

The 7¾ per cent issue was priced at 101⅛. It was bid at the level of the total fees.

Morgan Stanley led a NZ$50m two-year deal for Bank of Nova Scotia. It carries a 18½ per cent coupon and 101 issue price.

ANZ Merchant Bank led an A$40m three-year 15 per cent issue for Bremer Landesbank, priced at 101⅛. Deutsche Bank Capital Markets led a A$150m five-year 14½ per cent issue for Deutsche Bank, priced at 101⅛.

Yamaichi International and Tokai International led a Y10bn seven-year 5 per cent bond for DnC International Finance, priced at 102⅛.

Credit Commercial de France led a Euro-French franc issue for Investors in Industry designed to attract investors who expect French franc interest rates to fall. The FFr 500m seven-year 9⅞ per cent issue, priced at 101, is callable after three years at par. It carries warrants into a similar but non-callable bond, exercisable by exchange during the first three years and by cash during the remainder of the bond's life.

The D-Mark sector traded quietly and prices were unchanged. Deutsche Bank led issue with currency warrants for Ford Motor Credit. The a DM 200m five-year 5¾ per cent deal, priced at 118½, carries two-year warrants to buy $500 at an exchange rate of DM 1.86.

In Switzerland, demand continued to centre on equity linked issues. Kredietbank (Suisse) led a 10-year 4¾ per cent issue for Belgium, priced at 100¼.

Enskilda Securities led a DKr 300m seven-year 11½ per cent issue for Nordic Investment Bank. It was priced at par, and is callable after 1992 at par. Privatbanken was joint co-lead manager.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 11

U.S. DOLLAR STRAIGHTS — YEN STRAIGHTS — OTHER STRAIGHTS — FLOATING RATE NOTES — DEUTSCHE MARK STRAIGHTS — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS

INTERNATIONAL COMPANIES and FINANCE

Wong Sulong on the promising outcome of restructuring talks

ICI shows the way in Malaysia

SIGNIFICANT new ground has been broken in one of the most complex negotiations involving a foreign company restructuring its Malaysian interests in order to comply with the government's controversial New Economic Policy (NEP).

The experience of Imperial Chemical Industries of the UK, which was last month given the final approval to reshape its Malaysian operations, provides valuable pointers for other foreign companies yet to restructure their holdings.

The amicable atmosphere the ICI negotiations, and the substantial concessions it gained, reflect the pragmatism of the Malaysian authorities at a time when the flat Malaysian economy badly needs a boost in foreign investment and expertise.

Many NEP exercises in the past were conducted in an atmosphere of suspicion on both sides. A number degenerated into open animosity and confrontation, and ended with the government resorting to political and administrative pressure to get its way.

In the process, the confidence of some foreign investors was badly shaken, and some eventually decided to pack their bags and go elsewhere.

The NEP was launched by the government after the race riots in 1969 to bridge the economic gap between the Malay and other communities, to ensure racial harmony.

It is a 20-year programme. One of the major targets is that Malay ownership of the corporate sector — then at only 2 per cent — would be increased to 30 per cent by 1990.

The current Malay stake is around 20 per cent and the government has acknowledged the 30 per cent target cannot be achieved by 1990 because of the recession.

Dr Mahathir Mohamad, the Prime Minister, has said that the priority now is to stimulated growth before further restructuring.

The ICI negotiations took about a year. Both sides were aware that they were treading on uncharted and politically sensitive ground.

Rothmans of Pall Mall carried out its NEP restructuring last year and ran into a barrage of criticism from the country's Chinese community, which said it had been disadvantaged by the deal. The company narrowly escaped a Chinese boycott of its cigarettes.

Four subsidiaries

ICI has been in Malaysia since 1930. The business has grown to one with an annual turnover exceeding 450m ringgit (US$177m) and profits of around 16m ringgit.

Under the restructuring scheme, now being put to its Malaysian shareholders for approval before implementation, the ICI operations would be placed under Chemical Company of Malaysia (CCM), which is listed on the Kuala Lumpur and Singapore stock exchanges.

CCM would control four subsidiaries, dealing with the manufacturing and trading of fertilisers, paints, agrochemicals and industrial chemicals.

The enlarged CCM will have paid-up capital of 89m ringgit and shareholders' funds of 147m ringgit.

There are four notable elements of the exercise:

- ICI will retain 50.1 per cent of CCM, giving it continued equity and management control. It successfully argued that this was necessary for the Malaysian operations to benefit from its worldwide research, expertise, patents and trademarks.
- The Malay stake in CCM will be 29.2 per cent, and not 30 per cent. This is because of slight variations in the valuations of the four ICI units by the Malaysian authorities. However, CCM will be deemed to have complied with the NEP requirement.
- The restructuring will be considered final and subsequent development and expansion of CCM will not be subject to further dilution of ICI's equity.
- There will be no obligation on the part of ICI or CCM to maintain the Malay ownership at 30 per cent in the event of Malay disinvestment.

"We've got an eminently fair deal—one that strengthens our confidence in the country and its leadership," said Mr Geoff Webster, finance director of ICI Malaysia.

Flexibility on the part of the Malaysian authorities was reflected in their valuation of the agrochemical unit, which had incurred losses in recent years due to bad debts from its sale agents.

Remedial action had already been taken and the authorities accepted the ICI explanation and gave the unit a higher value rating than warranted by its past performance.

Loophole closed

There were also a few hitches in the negotiations. The 1985 Malaysian budget imposed a share transfer tax on land. The aim was to close a loophole used by developers to avoid tax by injecting their properties into publicly listed companies.

But the scope was so wide that suddenly ICI found it had to pay 20m Ringgit in tax because it owns the 70 acres on which its factory is sited.

Various submissions were made to the Treasury, including one from ICI, and the tax measure was greatly modified to the relief of many corporations.

According to Mr Mizanur Rahman, ICI Malaysia's head of corporate strategy, there are no immediate expansion plans for CCM.

But he is confident the enlarged CCM will be a force in the marketplace. He also sees some interesting possibilities for the group under the Malaysian industrial masterplan, particularly in the event of an economic recovery.

Revised plan for Humes and Smorgon

By Bruce Jacques in Sydney

RELIEVED directors of Humes, the Melbourne-based building products group, have annouced a revised proposal for the company's marriage with the diversified Smorgon steel group.

The new plan follows last month's settling of hostilities between Humes and its former suitor, Mr Garry Carter's Unity-APA group. Mr Carter agreed to sell his 36 per cent of Humes to the Smorgon group, which ranks among Australia's largest privately held companies.

Humes now proposes a share and cash offer valued at around A$346.6m (US$236.9m) to acquire Smorgon's steel business. It will be settled in two separte instalments and will include the issue by Humes of 31.5m convertible notes at A$2.80 and a further 42.8m undated subordinated convertible unsecured notes at the same price.

Another 50m undated notes will be underwritten and made available to institutions. Under the plan, Smorgon would control 46 per cent of Humes' enlarged capital after conversion of the convertible notes—the same percentage as envisaged in the original deal announced in December last year. That plan, however, called simply for the issue of 142m Humes ordinary shares to Smorgon.

The assets to be acquired by Humes are also identical with the earlier plan, but an existing leveraged lease on the Smorgon steel mill will be acquired and allowed to run, not paid out for A$51.2m cash as originally proposed. Mr Ray Hicks, Humes managing director, said the new plan was much more favourable for Humes

"The revised proposal has a very favourable impact on Humes's earnings per share and balance sheet," he said. Mr Hicks predicted that, on completion of plans to upgrade the steel mill and conversion of convertible notes, Humes' earnings per share would rise from the earlier predicted 20.93 cents to 26 cents a share.

Meanwhile, legal action is still pending over share transactions during the Humes takeover battle involving Alexanders Laing and Cruickshank, the UK stockbroker. The National Companies and Securities Commission is due to announce details today of successful tenderers for the parcel of Humes shares which were vested in the commission following earlier legal proceedings.

Turner & Newall South Africa ahead

By Jim Jones in Johannesburg

TURNER & NEWALL Holdings (TNH), the South African asbestos and automotive products manufacturer, increased sales by a quarter in 1986 although the building products market remained depressed.

Turnover rose to R130m ($62.1m) from R104m and pre-tax profits were R15m against R11.2m. The directors say that the automotive aftermarket remained buoyant and that the chemicals division benefited from a move into specialty resins.

The building products and asbestos pipes division remained a problem, and TNH is at present talking to Everite, its Swiss-controlled principal competitor, on merging operations in a market rationalisation move.

Net earnings increased to 39.1 cents a share from 33.5 cents and the year's dividend has been lifted to 19.6 cents from 17.6 cents. The company is 51 per cent-owned by Turner & Newall of the UK

Israeli bank suffers 46% downturn in earnings

BY JUDITH MALTZ IN TEL AVIV

FIRST International Bank of Israel (Fibi) has reported a 46 per cent drop in net profits in 1986 to Shk 17.5m (US$11.8m).

Total assets increased by 3.2 per cent to Shk 4.2bn and equity capital rose by 2.1 per cent to Shk 253.8m.

The bank attributed the lower profits to interest rate reductions coupled with high corporate tax rates. It also blamed the government-imposed freeze on banks' fees and commissions.

Fibi expects nonetheless to emerge as Israel's most profitable bank again in 1986. It is confident that profits will grow in the current year, when a law lowering corporate tax rates is due to take effect.

Last month Fibi lost Mr Zadik Bino, its dynamic chairman, to Bank Leumi, the country's largest and most troubled bank. Government officials had pleaded with Mr Jack Nasser, the New York-based investor who has a controlling share in Fibi, to allow Mr Bino to join attempts to revive Leumi.

Increase for Amman bank

BY RAMI KHOURI IN AMMAN

THE AMMAN-BASED Arab Bank Group has reported 1986 net profits before appropriation of $76m compared to $74.5m the previous year.

Income increased from $206m to $225.5m, reflecting sharp increases in commissions and foreign exchange income. Some $42m was set aside for general and voluntary reserves and provisions, compared to $35.3m. Total assets increased from $11.8bn to $12.65bn while shareholders' equity rose from $576m to $676m.

The bank alone registered virtually unchanged operating income of JD 66.84m ($192.2m) against JD 66.29m.

Banks agree to Redec debt scheme

A STEERING committee of seven international banks has agreed with Saudi Research and Development Corporation (REDEC) on conditions for the repayment of about $340m in debt owed by the Jeddah-based company, AP-DJ reports from Bahrain.

The rescheduling is one of the largest by a private company in the kingdom. Redec, which is majority owned by Mr Ghaith Pharaon, suspended payments on principal in December 1985. Interest payments were halted last March.

Under the agreement, Redec will be given 10 years to repay its debt at an interest rate of ½ percentage point over a reference level for rival deposits quoted in Bahrain.

The steering committee, representing about 45 banks, comprises Manufacturers Hanover, Citibank, Bank of Boston, Banque Indosuez, Hongkong and Shanghai Banking, Banque Arabe Espanol, and National Commercial Bank of Saudi Arabia.

BTR surges by 40% to £505m

BTR, the industrial conglomerate which abandoned its £1.2bn bid for St Helens glassmaker Pilkington Brothers in January, yesterday revealed that its profits for the 1986 year had surged to £505m at the pre-tax level.

That was an improvement of £143m on 1985's figures and well ahead of City expectations which ranged between £460m and £480m.

The directors, headed by chairman Sir Owen Green, said it was the group's 20th consecutive year of growth and added that the 40 per cent increase in profits was achieved through operating gains in all regions augmented by a £48m reduction in finance costs.

Expectations for further improvement, particularly in Europe and the East, were supported by rising levels of order intake.

Turnover for 1986 pushed ahead from £3.88bn to £4.02bn and at the operating level profits improved by £106m to £527m. A regional breakdown of profits shows Europe £309m (£237m), the West £146m (£137m) and the East £72m (£47m).

Pre-tax profits took into account an actuarially calculated reduction in annual pension funding amounting to £17m (£4m), which the directors expected to recur for several years.

Other income added £30m (£41m). Finance costs were cut from £100m to £52m.

Tax rose by £43m to £128m and minorities by £9m to £25m.

Earnings available for ordinary shareholders worked through at £352m, against a previous £261m, or 21.2p (16p) per 25p share. There was an extraordinary credit of £78m (debit £34m).

The 1986 dividend is being lifted by 2.42p to 8.25p net via a final of 4.75p.

The group's gearing had fallen from 68 per cent to 27 per cent by year-end. When diluted for conversion, the figure was 18 per cent.

BTR's unsuccessful battle for Pilkington lasted two months. Other well-known BTR UK offshoots include Dunlop, manufacturer of tyres

See Lex

Sir Owen Green, chairman of BTR

BAe raises stake in Systems

BY NIKKI TAIT

British Aerospace, the military and civil aircraft group which last month snapped up a 14.9 per cent stake in Systems Designers, the UK computer software producer, yesterday went back into the market for a further 10 per cent.

The company acquired around 11.5m additional shares and now holds a 23 per cent stake. In addition, the British Aerospace Pension Fund maintains its 1.9 per cent interest.

Hoare Govett, BAe's brokers who conducted the original raid, said that yesterday's purchases were made at 99½p—the same price it paid before.

Yesterday BAe — which has ruled out a full bid for SD but consistently kept the option of an increased stake open—said that it might buy again in the future up to the 29.9 per cent level. However, it reiterated that it had no plans to go beyond that level.

The two companies met after the first market raid for what were described as very amicable discussions. SD said it welcomed BAe as a minority shareholder at that level, but warned that it would be most concerned at any increase beyond that.

Yesterday, however, it appeared that SD was only given brief warning of BAe's intention of raising its stake again.

A statement from the company said that the increase was "most unexpected following assurances given to the board earlier this week" by BAe.

An SD board meeting has been called for next week to discuss the matter.

Earlier discussions are believed to have touched on the matter of boardroom representation, although SD is not thought to welcome this.

Scandinavian Bank achieves 15% premium

By Clay Harris

SHARES IN Scandinavian Bank jumped to a 15 per cent premium yesterday on the first day of trading, closing at 243p against the issue price of 210p. Trading opened at 238p, the lowest price of the day, and ranged as high as 246p.

About 11m shares, about 40 per cent of the 27.5m issued in the flotation, changed hands. The £57.75m issue of 34.5 per cent of the UK-based consortium bank's equity had been oversubscribed 17 times.

Mr Garrett Bouton, chief executive, said that the market's response was precisely as intended in the pricing of the unusual shares, which are denominated in a basket of four currencies. The bank had been aiming for a premium of between 10 and 15 per cent on the first day.

"The brokers tell us that there is strong continued interest from institutions in the 240p to 250p range," Mr Bouton said.

CARLESS CAPEL and Leonard (independent oil company): company announced plans to farm out half of its 37.5 per cent interest in 11 licences in onshore acreage in the South of England to Blackfriars Oil and Gas, a subsidiary of Associated Newspapers. The deal is likely to be worth about £10m to Carless over the next two years.

Hillards confident of support from boardroom

BY NIKKI TAIT

Mr Peter Hartley, chairman of Hillards, the Yorkshire supermarket chain which received a £177m bid from Tesco on Monday, said yesterday that the board and its supporters held some 25 to 30 per cent of Hillards shares, and that the company was confident of this support.

He is writing to shareholders today, pointing out that the company has been investing in the future and "there is no reason why Tesco should share in the benefits."

Tesco, itself, confirmed that it had picked up a 4.2 per cent stake in Hillards on Tuesday, though it is not thought to have made any significant purchases yesterday.

Hillards shares rose a further 5p to 318p.

OSSORY ESTATES has agreed to purchase a portfolio of 11 commercial properties for £3.26m to be satisfied as to £1.76m by a vendor placing of 8m ordinary and as to the balance, £1.56m, in cash to be financed by a bridging facility. It is intended to sell six of the properties, costing £1.9m, during the next six months and proceeds will be applied in repaying bridging facility. Company is confident of achieving excess over cost of these properties.

F & C sells stake in General Funds

F and C Eurotrust has sold its 14.8 per cent stake in General Funds' Investment Trust to Robert Fleming, acting on behalf of discretionary funds. F. and C. had already given irrevocable undertakings to accept the £90m bid by Rosehaugh for General Funds but said yesterday that it had decided to sell early because it had a large outstanding loan and also did not wish to take a view on the market. Fleming had also given irrevocable undertakings to accept the bid.

General Funds' shares changed hands at 240p; Rosehaugh's cash alternative offer is 100 per cent of the formula asset value, last estimated at 242.5p.

How Harry Hyams told himself to do nothing

By Paul Cheeseright, Property Correspondent

Mr Harry Hyams yesterday wrote a letter to himself advising that he should take no action on whether or not to receive cash or shares worth nearly £160m.

The chairman of Oldham Estate was writing to shareholders of Oldham Estate about the £531m offer they have all received for the company from MEPC.

But the chairman owns the overwhelming majority of the shares that have not already been sold while MEPC already has tucked away 68.32 per cent of the equity, bought from Co-operative Insurance Society.

Mr Hyams holds 30 per cent and 200 individuals have the tiny balance.

So Mr Hyams, chairman and shareholder, has little room for manoeuvre. The shareholder has certainly not yet decided to sell. But the chairman has appointed J. Henry Schroder Wagg, the merchant bankers, to advise on what should be done next.

Schroder Wagg should come up with suggestions sometime next week, but at the moment it is studiously neutral, researching for terrain on which to make a stand.

Hence Mr Hyams' letter. Neither he nor the 200 have anything to lose by waiting. Once Schroder Wagg has looked at the offer which, at first sight, looks "not exactly straitforward," it might be able to come up with a way of improving it.

As CIS sold its shares by negotiation with MEPC—there was no auction—it may be that it did not receive the best terms. Then again there is a now famous letter which the insurance group wrote to Mr Hyams in 1971, when it held 10 per cent of Oldham, saying that in the event of a sale, it would give Mr Hyams the chance to match the offer.

But there is a question mark on the letter's legal validity. And anyway, Schroder Wagg has not yet seen it.

What is clear is that Mr Hyams does not want to see his property principality annexed by MEPC. His self-addressed letter spells out the grievance.

"No attempt was made to discuss the proposed offer with the board of Oldham before the announcement (of the purchase from Co-operative Insurance and the consequent takeover offer) and I was abroad on vacation at the time MEPC chose to act."

MEPC acted with Hyams-like discretion in February. The Hyams defence against that pre-emptive strike in March may be rather noisier.

Restructuring results in static profits for GKN

PRE-TAX profits at GKN fell marginally to £132.4m in 1986 as a result of heavy restructuring costs and problems in certain markets.

Revenue in the US and in the automotive components and products sector were particularly badly hit. US sales—which account for about 22 per cent of group sales—fell by £33m to £451m in 1986. Total turnover was down from £2,199.6m to £2,059.4m.

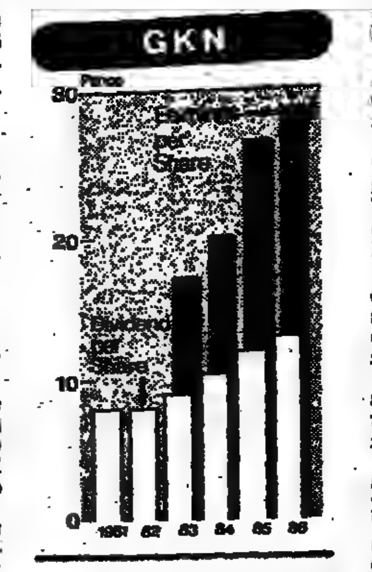
Although the £300,000 fall in profits was not as great as analysts feared shares in GKN closed 26p down at 320p.

Earnings per share rose from 26.6p in 1985 to 28.5p in 1986. A final dividend of 8p is proposed bringing the total dividend for the year to 13p (12p).

Extraordinary items amounted to £36.5m. This includes the cost of restructuring Autoparts Distribution in France and a loss of £10m on the sale of the group's steel stock business.

In the automotive sector, trading profits fell from £105m to £101m. Depressed demand in the commercial vehicle market more than offset favourable Deutsche Mark rates and buoyant car demand.

In the US, revenue was hit by a cut in the price of the group's constant velocity joints, used in transmission mechanisms, to bring prices into line with European competitors. On top of this a poor dollar/yen rate hit the group's US business distributing Japanese automotive parts.



But GKN is confident that restructing of its distribution business and increased manufacturing volume for constant velocity joints means the sector has better long term prospects.

Group profits were helped by good performances by related companies which rose from £14.7 in 1985 to £23.8 in 1986.

Part of this increase followed the transfer of the special steels and forging subsidiary to become part of United Engineering Steels in which GKN has a 39.1 per cent stake.

The wholesale and indsutrial distribution division reported a smaller surplus on trading—down to £11m compared with £22m in 1985.

But the industrial services and supplies division increased trading profits from £21m to £30m.

Defence related businesses are expected to help boost profits in the next few years. The group refused to comment on its bid for the Royal Ordnance factories but said that sales of its Warrior armoured personnel carrier would start to yield profits in the second half of 1987.

European sales improved, rising as a percentage of total sales from 26.4 per cent to 35 per cent.

The group's tax charge fell from £58.3m to £51.4m and interest payable was reduced from £43.9m to £42.5m.

See Lex

Castle Comms. to join USM

BY JANICE WARMAN

Castle Communications, which produces and sells own-label record albums, cassettes, compact discs and video cassettes, is joining the USM via a placing which will value the company at £6.6m.

Industrial Finance and Investment Corporation is placing 875,000 shares, 26.6 per cent of the equity, at £2 per share. Of the net proceeds, £810,000 will go to the company and £790,000 to existing shareholders.

The company was founded in 1967 but was dormant until November 1983 when Mr Terry Shand, with 10 years in the record and video business behind him, took over as managing director. Mr Cliff Dane, an accountant, became finance director.

It plans to use the proceeds of the placing to widen its music and video catalogues, expand further in Scandinavia, Europe and the US, and make acquisitions.

Most of Castle's music products, which provide around 70 per cent of the business, are compilations of previously released singles or album tracks, with some albums re-released, and some own recordings of classical productions.

The company produced pre-tax profits of £476,000 in the year to June 30, 1986 on turnover of £3.92m. That was 65 per cent up on 1985's pre-tax figure of £288,000 on turnover of £2.5m.

It has a Finnish subsidiary serving Scandinavia, which produced 27 per cent of sales in the year to June 1986. Its UK retail customers include W. H. Smith and Son, Virgin Retail, HMV and Our Price.

The company's profit forecast to June is expected to be not less than £720,000. The price/earnings ratio at the placing price is around 12.7.

Castle's brokers are Alexander, Laing and Cruickshank.

COMPANY NEWS IN BRIEF

PACER SYSTEMS (USM-quoted US defence group): Final dividend 3 cents making total of 5 cents (2 cents). Turnover $26.3m ($17.04m) and pre-tax profits $1.84m (£1.16m) ($1.15m). Company announced purchase of Sea Data-Systems Corporation for $1m.

BARHAM GROUP: Talks with a potential offeror have been terminated as agreement could not be reached on terms which reflected current performance and future potential.

SMITH & NEPHEW Associated Companies (medical and healthcare products, textiles, toiletries) has agreed to buy Alberto Fernandez, Spanish maker of latex surgeons' gloves, examination gloves and condoms, for up to Ptas 450m (£2.3m). Tangible assets acquired have a book value of Ptas 325m (£1.6m).

AMSTRONG EQUIPMENT has acquired the assets of and business of Rubery Owen (Moxley) for £1.1m cash. Rubery makes industrial fasteners and Armstrong becomes the largest producer of those systems in Britain.

TSB CHANNEL ISLANDS (USM-quoted Jersey-based subsidiary of TSB): Speaking at the annual meeting, Mr R. R. Jeune, chairman, said that after the exceptionally strong performance in 1986, profits were not expected to grow at the same rate this year.

WIGGINS GROUP'S rights issue of 2.51m ordinary 10p shares was taken up in respect of 2.42m (about 96.4 per cent). The balance has been sold at a premium of about 25.5p per share.

FKB GROUP (USM-quoted sales promotion agency): conditional purchase of Underline Group, Dublin-based marketing, advertising and design agencies operating as Underline and Input Marketing, for initial I£380,000 cash, payable on completition.

IFM Foreign Investment has sold its 10 per cent stake of 5.94m ordinary shares in TR Natural Resources. The shares were the balance of the 17.25m ordinary shares bought by Platou Investments on October 30 1986.

UK COMPANY NEWS

All-round progress lifts Hillsdown 64% to £55m

BY NIKKI TAIT

Hillsdown Holdings, the acquisitive food and furniture group, yesterday unveiled a 64 per cent increase in pre-tax profits during 1986 to £54.9m, on sales up from £1.1bn to £1.7bn. Hillsdown itself had forecast not less than £50m last October and analysts' estimates ranged around £53m.

During the year Hillsdown made over 40 acquisitions costing a total of £180m. However, these contributed only £4m to the pre-tax figure and the underlying rate of organic growth at the trading level was 39 per cent.

Commenting on the company's current acquisition policy, Mr Harry Solomon, joint chairman, said he did not rule out a major acquisition — Hillsdown has never yet done a £100m-plus deal—but that the preferred route was uncontested bids.

A reduction during the year in the group's gearing from around 54 per cent at end-1985 to just under 20 per cent gave "lots of flexibility," he added; the company could be comfortable with a contested bid worth up to £1bn.

The profits advance was spread across all divisions. The fresh meat and bacon side, which reported a small drop in operating profits at the half-way stage, saw the full year total up from £4.5m to £8m, with two acquisitions — North Devon Meat and Meadow Farm — contributing around £1m.

Hillsdown said margins improved in FMC's fresh meat division, although Mr Solomon added that these were still very small and that the company was not happy with present levels. Pyke had an "excellent" second-half.

On the poultry side, where Hillsdown is trying to build the proportion of value-added products, there was 26 per cent profits increase to £21.7m, while food processing and distribution more than doubled its contribution to £15.4m (£6.9m).

The rapidly-expanding timber and furniture interests saw profits advanced from £3.4m to £8.4m; stationery contributed £5.2m (£4.2m); and property profits totalled £5m (£3.1m). Total operating profit came to £63.6m against £38.2m.

Hillsdown said yesterday that it expected current year sales to exceed £2.5bn, with the four main divisions accounting for around £500m each.

The reduction in the company's gearing follows last October's placing of shares for cash which raised £160m net; however, the interest charge for the year still rose from £4.8m to £8.7m.

Below the line, Hillsdown enjoys a £5.6m extraordinary item, largely reflecting the profit on the sale of its shares in S. & W. Berisford, for which it made a near-£500m bid but later withdrew when a Monopolies Commission inquiry loomed. Its options as to whether to remount a bid were still open.

During the year, capital expenditure totalled £60m (£31.5m) and a higher figure is expected in the current year.

Tax losses acquired with companies bought recently helped keep the tax charge down to £7.6m (£4.8m).

The final dividend goes up from 2.25p to 2.75p, making 3.8p (3.15p) for the year. Stated earnings per share were 16.3p against 12.2p last time.

See Lex

SHV fails with its approach to IC Gas

By Lucy Kellaway

SHV, a large private Dutch company, has failed in its partial tender for Imperial Continental Gas.

The company announced yesterday that it had received acceptances for less than the minimum 7.5m shares, and had therefore declared the offer void.

The tender, which was for 23 per cent of IC Gas shares and was the biggest of its kind in the UK, was scuppered by the announcement at the end of last week of a rival tender from two major Belgian companies at a higher price.

SHV was yesterday keeping quiet about whether it plans to continue to pursue IC Gas. The company owns nearly 5 per cent of IC Gas and said last week that it was anxious to own a larger stake in order to obtain a significant shareholding in Calor, the main operating company.

The 700p SHV tender was pitched about 50p above the market price 10 days ago when the offer was announced. The second offer, from Groupe Bruxelles Lambert and Tractebel, exceeds the SHV offer by 10p a share.

The IC Gas share price closed yesterday at 708p, reflecting the market's expectation of further corporate activity in the shares.

Gulf Resources, the US company which is controlled by the Barclay brothers and which last year mounted a £750m bid for IC Gas, announced on Monday that it had sold about 7 per cent of its 11.5 per cent stake in the company at 720p.

SHV said yesterday that investors who had unsuccessfully applied for its offer were able to tender to the Belgian companies. Documents would be passed on if requested by shareholders.

Ultramar's losses exceed £62m

BY TERRY POVEY

Ultramar yesterday reported a net loss of £62.1m for 1986 following higher than expected extraordinary debits and the total dividend has been reduced to half that of the previous year. Operating cashflow was also sharply down, to £117m from £191m, reflecting lower oil and natural gas prices over the year.

However, Mr Lloyd Bensen, Ultramar's chairman, said that the trend in the group's operations during the fourth quarter and the early months of 1987 had been positive. A reduced capital expenditure programme for the current year, down to perhaps £65m from £120m, and an improved cashflow will strengthen the group's financial position provided crude oil prices do not slip too far below $17.50 a barrel, he added.

Accepting that 1986 "was not a good year for Ultramar," Mr Bensen commented that the dramatic fall in oil prices in the first six months had hit upstream operations and led to large stock losses in downstream activities. In the second half margins had improved especially in the refining and marketing operations in Eastern Canada, and the freezing of new capital projects had enabled both third and final quarters to show improved cashflow.

However, the dispute between Pertimina, Indonesia's state oil and gas company, and its Japanese customers over liquid natural gas prices had now been resolved and Ultramar has made a £30.5m provision for this out of pre-tax profits.

The group has also made a £9.2m exceptional charge to cover the expected costs of restructuring in the UK and US, which is partially offset by a £4.3m benefit from the surplus on the US pension fund.

For the year turnover was £1.47bn (£1.74bn), operating profits were £73.6m (£273.8m) after financing charges of £48.9m (£45.8m). After taxes paid of £63.9m (£169.7m), an exceptional charge of £4.9m (£5.5m), losses of discontinued operations £15.6m (£20.9m), minority interests of £11.3m (£6.1m), there were losses, before the extraordinary debit of £40m, of £22.1m (a profit of £71.6m). The final dividend recommended is 3.25p which makes total payout for the year 5.25p (10½p) on a loss per share of 8.1p (earnings per share of 26.3p).

● comment

The optimists are convinced that all these write offs will produce a banana-free Ultramar that can look forward to a greatly improved cash flow position this year as long as Opec can defend something like an $18 a barrel oil price. Before allowing anything for the dividend, which claimed £42m in 1986, there should be a positive £100m in the bank. Pessimists, however, worry over Ultramar's slow response to the new oil price environment and its failure to undertake a more radical risk/reward review of the US and Canadian operations. Perhaps the emphasis on cash flow has gone too far and tax losses in Canada are over-concentrating minds at Ultramar. In the market the recent debate on the group has centred around its asset value, with figures of between £2.50 to £3 now common currency. However, while Mr Brierley, with 13 per cent, will be comforted by such calculations, his prospects of getting a commensurate return short of a takeover look remote and he does not appear inclined to make the big jump himself. However, a share price of 190p is justified only by consideration based on the group's breakup value.

Cement-Roadstone hits record I£35.5m

Cement-Roadstone Holdings made strong profits progress during 1986, a year in which it also made many acquisitions, particularly in the US.

On the back of a 7 per cent increase in sales in I£567.31m the Dublin-based construction materials group raised its profits to a record I£35.54m (£32.3m) pre-tax, an improvement of 29 per cent over the previous year's I£27.56m.

With regard to the outlook the directors said the group had a strong balance sheet and a good cash flow. They were looking for further expansion abroad and aimed to continue the growth of recent years.

Earnings for 1986 worked through at 12.15p (9.33p) per 25p share and shareholders are to receive a 0.55p bigger dividend of 3.7p net via a final of 2.43p.

In the US dollar profits increased further despite having to bear start-up costs at new plants. Since the beginning of 1986 the group has made ten acquisitions, seven of which were in the US.

The merchanting activities in Scotland encountered difficult trading but a particularly good result from the south of England helped the division to exceed profit expectations.

In the Netherlands all Van Neerbos divisions performed well and trading in the DIY retailing chain was particularly strong.

The decline in building and construction activity in Ireland continued through the year—home sales of Irish Cement were down by 6.7 per cent on 1985.

For the Roadstone group, sales of road construction materials showed some improvement but volumes of other products declined.

Group tax for 1986 rose to £5.62m (£5.29m). After minorities and preference dividend payments profits attributable to ordinary shareholders emerged at £29.63m (£22.16m).

Had end-1985 exchange rates applied to 1986, profits for the year would have been some £1.6m higher.

● comment

A good all round performance from Cement-Roadstone, which is yet another Irish company taking the Jefferson Smurfit route to fame and fortune by building up a strong US operation. Over the last year I£90m has been spent on 10 American purchases, all of which were on modest exit multiples and contributed positively to earnings. The group is now only 30 per cent Ireland-based in trading terms although rationalisations at home have helped boost profits in spite of a decline in cement demand. With I£45m in view for this year, the shares at 193p are on a prospective multiple of 15. However, enthusiastic support from domestic investors appears to have pushed the share price rather too far ahead of the likes of Blue Circle and RMC.

Hanson sells part of Kaiser Cement for £32m

BY NIKKI TAIT

LESS THAN a week after it completed the $250m acquisition of Californian cement company Kaiser Cement, Hanson Trust announced yesterday that it is selling two of its operations in the North West states for $50.2m cash (£31.6m).

The operations are Northwest Terminals, which takes in five cement shipping and receiving terminals in Seattle, Portland and Alaska, and Montana City Plant, a wet process cement plant.

Together the two interests achieved sales last year of $29.6m but incurred pre-tax losses of $200,000; their net assets are put at $25.3m. Kaiser alone made net earnings of $16.6m in 1985 on sales of $248m, and shower an improvement in the first nine months of 1986.

The buyer of the Northwest business is Lone Star Industries, America's largest cement company, while the Montana operation is going to Ash Grove Cement West.

Yesterday, Hanson said the sales were a continuation of an asset redeployment programme at Kaiser and the company would now concentrate on its core Californian interests, where it is the largest cement producer.

Mr Martin Taylor, a director, added that Hanson was "reviewing all Kaiser's operations and expected that there would be other opportunities for disposals over the next few months."

There has been speculation that Kaiser's 43 per cent interest in P. T. Cibinong, which operates a cement plant in Indonesia, might be one of the parts of the business eventually sold.

Dares Estates doubles its portfolio value

By Ralph Atkins

Dares Estates, a London-based property company, is to purchase five commercial properties for £12.9m—doubling the gross value of its investment portfolio.

The acquisition, from Friends Provident, will be financed by the issue of 14.7m new shares at 28p each and £8.78m in bank facilities secured on the properties.

The new shares, representing 10 per cent of the enlarged share capital, have been conditionally placed by Kleinwort Benson. Shareholders will be able to participate in the new issue on the basis of one new share for every nine existing shares. Dares Estates' shares closed up 2½p at 35½p.

The five properties, in London, Croydon, Eastbourne, Chesham and Weybridge bring in an annual rent of £1.34m and consist mainly of office accommodation. The portfolio has been valued at £14.45m.

This latest acquisition followed a series of purchases over the past year.

Mr Brian Tomlinson, executive director, said: "We are trying to move ahead on two fronts—to build up an investment portfolio to give a solid asset base and at the same time build up the development and trading side to produce the profits."

Antofagasta ahead at £9.1m

Antofagasta Holdings, the holding company with water distribution and rail transport interests in South America, lifted pre-tax profits from £7.5m to £9.1m in the year ended December 31 1986.

Tax charges rose from £466,000 to £829,000 and earnings per 25p ordinary shares moved ahead by 2.7p to 29.7p.

The directors propose a final dividend of 7.25p (5.625p), making a total for the year of 8.5p (6.875p).

Costain gets boost from Australia

Costain Australia, a subsidiary of the UK Costain Group, lifted its group net taxed profit by 80 per cent to A$14.9m (£6.36m) in 1986. That was in line with expectations and confidence was expressed that earnings could be maintained at present levels.

Costain Group said elsewhere in its operations conditions remained difficult in UK civil engineering and in international contracting. Other parts of the group were making satisfactory progress.

Rivlin at £0.8m

Rivlin, a USM-quoted company with interests in property investment and development, reported pre-tax profits of £797,000 in the eight months to December 31 1986 compared with £1.2m in the 12 months to April 30 1986. Turnover was £5.6m compared with £11.6m.

At the time of Rivlin's acquisition of Marlborough Property Holdings in October 1986 the directors stated that they intended to acquire the whole of the issued share capital of City Merchant Developers subject to mutually agreeable terms. They said this remained their intention and added that discussions were now taking place between the companie's advisers.

After tax charges of £41,000 (£56,000), earnings before an extraordinary debit of £63,000 (£75,000) amounted to 2.14p (3.27p) per ordinary share. The proposed dividend for the period is 0.27p (0.1p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Henry Ansbacher	2	April 3	Nil	2	Nil
Bejam ...Int	2.25	May 1	2	—	4.25
BTR	4.75	May 18	3.33*	8.25	5.83*
Cement-Roadstone§	2.43	—	2	3.7	3.15
GKN†	8	June 1	7.5	13	12
Hampden Homecare‡	1.1	May 27	—	1.6	—
J. Hewitt (Fenton)	4	—	2.3	5	2.7
Hillsdown Holdings†	2.75	July 1	2.25*	3.8*	3.15*
A. & J. Mucklow ...Int	2.56	July 1	2.4	—	5.4
New Darien Oil	0.7	—	0.63	0.7	0.63
Pacer Systems‡	3‖	—	2	5	2
Rivlin	0.27	May 14	0.1	0.27	0.1
Stat-Plus	3	—	2	5	3
Trafford Park Est. ...Int	4.25	April 30	4	—	12
Ultramar**	3.25	—	6.5	5.25	10.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Irish currency. ‖ US cents throughout. ** Scrip alternative.

UK COMPANY NEWS

Polly Peck raises £20m via a placing

By Clay Harris

Polly Peck International is to raise £20.3m to secure year-round sources of fresh produce to sell through an expanded European distribution network.

The international trading group headed by Mr Asil Nadir yesterday announced the issue of 10m new shares, increasing its ordinary share capital by about 7.6 per cent. The shares were placed with institutions at 208p, against yesterday's market price of 215p, down 1p.

Polly Peck was looking to acquire more produce distributors in continental Europe, according to Mr Mark Ellis, managing director.

If Polly Peck succeeded in buying companies which already had sourcing links with the southern hemisphere, this would "kill two birds with one stone," he said.

Customers in Europe were willing to buy produce outside the September-May period during which Polly Peck distributed citrus from Turkey and northern Cyprus, he said.

The company had already arranged to import citrus from Chile and avocados from Mexico.

Yesterday's placing exhausts the company's authority to issue shares for cash before next January without offering pre-emption rights to existing shareholders. It had received approval for such an issue at the annual meeting two months ago. NO 20—8/84

It emerged that an undisclosed portion of the shares were placed with the UK side of Drexel Burnham Lambert, the US investment bank. Drexel has become an active market-maker in Polly Peck shares recently.

Neither Drexel nor Polly Peck would confirm the former's involvement, although Mr Ellis said that shares had been placed with the British arm of one US institution and that there had been active US interest in the shares.

Mr Nadir's holding of Polly Peck ordinary shares will fall from 27.7 per cent to 25.8 per cent as a result of the placing, which was arranged by Henry Ansbacher.

Hampton Trust

Hampton Trust, an investment company, is buying a portfolio of properties from various vendors for a total of £7.24m.

The acquisition is in a 50/50 joint venture trading basis with NH Finance (Piccadilly) which will procure 100 per cent finance, with Hampton entitled to 50 per cent of any surpluses that may arise.

Bejam advances 28% midway

WITH THE benefit of an extra week, the Bejam Group lifted its interim profits by 28 per cent, from £9.13m to £11.64m, for 27 weeks ended January 3 1987.

Mr John Apthorp, chairman, said it was unlikely that the second half would show the same rate of increase. But the benefits of aggressive but selective store opening, and continued detail to service and product development, led him to have great confidence in growth prospects.

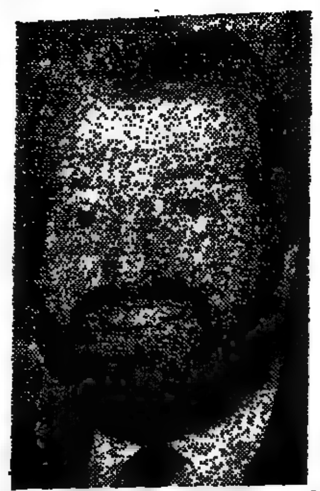
New store openings was the largest contributor to the increase in turnover—up 38 per cent to £256.34m. The 18 opened last year and the 10 that came into operation in the first half of this year performed exceptionally well.

The chairman said food sales in freezer centres rose by 14 per cent (of which 3 per cent came in the 27th week) to £191m. Sales in Victor Value (acquired a year ago) were £46m.

With the benefit of the grocery buying volumes of Victor Value, opportunity was taken to add significantly to the range of non-frozen foods sold in freezer centres. The programme of equipping branches was not completed until November, but overall impact was not favourable, Mr Apthorp said.

In the interim period tax charge was £4.19m (£3.64m) to leave the net profit at £7.45m (£4.49m). That gave earnings of 5.95p (4.41p) per share and the dividend is lifted to 2.25p (2p) net at a cost of £2.82m (£2.5m).

For the 52 weeks ended June 28 1986 the net profit was £11.86m, before an extraordinary credit of £3.5m. The dividend was 4.25p.



John Apthorp, chairman of Bejam

● **comment**

The purchase of Victor Value may have given Bejam much greater buying power in non-frozen foods but the market still has some doubts about the wisdom of the acquisition. Bejam remains optimistic, however, and plans to add four stores to the chain. In addition, it is expanding into the north to do battle with Iceland, its main competitor. The board's cautious approach to second-half growth prospects is partly due to the loss of a week's trading, the timing of store openings and the fact that margin improvements since buying Victor Value may not improve further. But this is Bejam's best improvement in profits for some time, markedly better than the comparable period's virtually flat performance. The City is expecting around £24m for the full year, which on a share price of 177p gives a prospective p/e of 14¼.

Banking side sparks Ansbacher recovery

BY DAVID LASCELLES, BANKING EDITOR

Henry Ansbacher Holdings, the small merchant banking group, yesterday reported a sharp recovery from its period of troubles and heavy losses, and an acquisition in the US.

Pre-tax profits for 1986 were £5.6m, more than double the £2.7m earned in 1985. In addition, the group recorded an extraordinary gain of £5.3m on its 15 per cent holding in Brown Shipley, the accepting house. Ansbacher said it bought the shares with a view to making a bid, but accepted an offer from Kredietbank of Luxembourg for them instead.

As a result, Ansbacher said it decided to pay a dividend of 2p per share rather than the 1p justified on the basis of profits from its basic operations. The group last made a pay-out in 1984.

All the increase in operating profits came from the merchant banking side which earned £4.3m, up from £1.7m, on the basis principally of improved banking operations, including foreign exchange dealing, treasury and lending. The New York operation has completed 32 merger and acquisition deals.

Among the group's other activities, insurance broking reported lower earnings of £1.6m, down from £1.7m, mainly because of the weaker dollar; shipbroking earned £87,000 (£143,000) reflecting the continuing problems of the shipping market.

Mr Richard Fenhalls, the chief executive, said the bank's accounts had been drawn up conservatively, and that profits had been struck after making a general provision for loan losses, and recreating inner reserves which had been wiped out by losses in 1984. Those were caused by an ill-judged acquisition of a Wall Street investment house which has since been sold. Ansbacher was now "as clean as a whistle" Mr Fenhalls said, and the performance of the group was "even and buoyant throughout."

Ansbacher said that the Department of Trade inquiry into the company's dividend payment during its period of difficulty had been concluded. The DTI said that no further action was being taken.

Ansbacher also announced yesterday the acquisition of a 51 per cent interest in a US insurance broker, Adams and Porter of New York. The company has offices in Los Angeles and Florida, and annual revenues of more than $4m. The acquisition, which forms part of Ansbacher's plan to expand its international insurance broking activities, will bring the group's total insurance broking revenue to more than £12m.

Mr Fenhalls said Ansbacher had now overcome all its problems and was at the stage where it wanted to advance.

The group is 51 per cent owned by Groupe Bruxelles Lambert and the Pargesa group. A further 10 per cent is held by the Banque Internationale a Luxembourg, which is part owned by the other shareholders. In addition, the Kuwait government has 12 per cent.

Approaches for Central stake

BY CLAY HARRIS

Ladbroke Group is believed to have at least two suitors for the 20 per cent stake in Central Independent Television which Mr Cyril Stein, chairman, says the company will sell if the price is right.

One is almost certainly Carlton Communications, the television production facilities company which had an agreed takeover of Thames Television blocked by the Independent Broadcasting Authority in 1985.

The betting, hotels, property and retailing group said on Friday that it had already received one offer for the holding, apparently from Carlton, although neither Mr Stein nor Mr Michael Green, Carlton chairman, would confirm this yesterday.

Mr Stein said, however, that Ladbroke had received another approach after last week's disclosure, which was made in connection with his company's £304m rights issue. Ladbroke would talk with only one company at a time, he said.

The share price of Central, which holds the commercial television franchise for the Midlands, added another 29p to 533p yesterday. This values the company at £133m and Ladbroke's stake at more than £26m.

Mr Stein has insisted that Ladbroke will hold out for a premium over market value, but he said yesterday: "I have got a price in mind."

Mr Robert Phillis, Carlton's new managing director, previously held the same position at Central.

If Carlton is the leading contender, it is certain to have sounded out the attitude of the IBA, which would have to approve a transfer of the shareholding. It would want to avoid a repeat of the IBA's veto of its Thames deal, under which it was to pay £82.5m for the 35 per cent stake held by BET and Thorn EMI.

The sensitive nature of any talks which the regulatory authorities may account for Mr Green's and Mr Stein's reticence.

The IBA said yesterday that it had not received any formal approach from Central about a transfer of shares.

Bensons Crisps well ahead

As indicated, Bensons Crisps' improvement at the half-year continued throughout the second six months and pre-tax profits, before extraordinary charges this time totalling £373,000, were more than doubled for the year to November 29 1986 at £420,000, against £204,000.

The directors stated that the strong performance of the second half had provided the company with a platform on which to build for the future. Prospects for 1987 were encouraging and the year had begun in line with expectations.

Turnover of this USM-quoted maker of food products and animated products and displays was slightly down, from £11.22m to £10.51m, but trading profits emerged at £492,000 (£401,000). Tax charged was £86,400 (£66,000) and stated earnings before the extraordinary items — the result of closing the Great Harwood factory crisp manufacturing line at the end of April 1986 — were 5.3p (2.7p).

Regentcrest sells

Regentcrest, the West Midlands-based property development and dealing concern, has sold 956,000 shares in Burns Anderson, the Manchester-based financial services company, at £1.15 each, realising £400,000 profit before expenses. It is retaining 1m shares (4.85 per cent).

The sale follows the acquisition of Burns Anderson by Dudley, a private property company, in January. Dudley has now sold 6.17m of its shares in Burns Anderson reducing its stake to 51 per cent. Dudley owns 8.4m of the 20.1m Regentcrest shares.

Regentcrest is buying for £150,000 from Zorra Holdings the 50 per cent of Pageborder, a property developer, it does not already own. The deal will be financed by the allotment of 357,142 shares.

J. Hewitt profits leap to £1.3m

Impressive growth was maintained at J. Hewitt & Son (Fenton), refractory products manufacturer, in the 12 months to end-December 1986.

Having revealed sharply higher profits at the interim stage in September, Hewitt announced yesterday that taxable profits for the full year had more than doubled to £1.32m against £642,000 last time, on turnover ahead 39 per cent to £10.76m (£7.72m).

Tax took £411,000 (£208,000) leaving earnings per share of 25.5p (11.4p).

An increased final dividend of 4p is proposed, making a total of 5p (2.7p) for the year.

Mr David Hewitt, chairman, said that the higher level of turnover achieved in 1986 was expected to be consolidated during the current year.

New Darien improvement

New Darien Oil Trust raised net asset value per 25p ordinary share from 71.7p to 75.2p at its year end on January 31 1987, and from 74.2p to 77.4p adjusted for exercise in full of rights attached to warrants.

The dividend for the year was lifted from 0.625p to 0.7p and earnings per share emerged higher at 1.04p (0.92p).

The directors reported that early in the second half of the year liquidity had been reduced by further investments in major oil companies and well-financed producers.

However, since the year end the holdings in Shell, BP and Exxon had been reduced, realising substantial profits. The proceeds had been re-invested in companies with natural gas reserves both in the US and the southern part of the North Sea, and in service companies in the US.

Interest payable fell from £5,000 to £489 and receivable interest dropped to £26,149 (£78,770). Pre-tax profits were virtually unchanged at £137,794 (£138,601). Tax charges amounted to £34,120 (£47,081).

Trafford Park up slightly

Trafford Park Estates reported a slight increase in pre-tax profits from £1.32m to £1.39m for the six months ended December 31 last. Gross income amounted to £3.16m (£3.08m) with that from rentals being £2.07m (£1.95m) and that from warehouse trading £1.09m (£1.13m).

Tax took £390,000 (£459,000) and minorities were nil (£24,000). There was an extraordinary credit of £95,000 against a debit of £221,000. Stated earnings per 25p ordinary are 8.95p (7.72p) and the interim dividend is raised from 4p to 4.25p.

BOARD MEETINGS

TODAY

Interims: Lysander Petroleum, Mitchell Cotts International Engineering Transport and Trading, Next.

Finals: Anglo American Industrial, Appleyard, Aquascutum, Cattles Holdings, William Collins, CSC Investment Trust, Euro Home Products, General Mining Union Corporation, Glynwed International, Perry Group, Phicom Applied Technology, Sharpe and Fisher, Stockley, E. T. Sutherland & Son, Tyne Tees Television, World of Leather.

FUTURE DATES

Interims—

Gent (S. R.)	Mar 19
Marler Estates	Mar 19
Walker (Thomas)	Mar 19

Finals—

AE	Mar 17
Boustead	Mar 30
Christies International	Mar 21
Clifford Dairies	Mar 24
Clyde Petroleum	Mar 24
Coats Viyella	Mar 24
Derwent Valley	Mar 23
Enterprise Oil	Mar 19
Fisher (James)	Mar 18
Geest	Mar 31
Isle of Man Enterprises	Mar 23
Maunders (John)	Mar 25
More O'Ferrall	Apr 7
Richards (Leicester)	*Apr 6
Rotork Controls	Mar 26
Ryan International	Mar 23
Sintrom	Mar 18
Spong	Mar 19
Spring Ram	Mar 23
Sutherland (E. T. and Son)	Mar 13
United Newspapers	Mar 26

* Amended.

Ian Hamilton Fazey on Johnstone's Paints rising fortunes

Family planning for the young ones

THERE IS nothing flashy about the entrance hall to Johnstone's Paints in the unsalubrious Manchester suburb of Droylsden.

It is a very ordinary narrow hallway. The hard-backed visitors' chairs against one wall are decidely functional and the receptionist is likely to be dealing with customer queries on the phone as she leans over to open the sliding glass window to ask your business.

While waiting for her, the visitor's eye falls naturally on a small, plain certificate placed strategically next to the window.

This says that Johnstone's Paints has been approved under the British Standards Institution BS5750 quality assurance scheme and has Part I registration.

To anyone in the know, this says more about the company than the most impressive entrance hall money could buy. Part I is the highest level of registration possible and and only 10 paintmakers in Britain can display a similar certicate.

Johnstone's spent nearly £100,000 improving already high standards in order to get it.

The company believes the certificate vital to its credibility in a jungle of a marketplace. Last week it demonstrated that credibility by declaring record profits of £2.05m on turnover of £14.5m.

Johnstone's is run by four brothers. Robert, Ian and Ernest are in their fifties while the chairman, James, is 61. They are the fourth generation on from the Johnstone who founded the company in Glasgow in 1890 and who moved the business to the expanding Manchester of 1907.

Although the fifth generation is represented on the board by Philip Johnstone, the marketing director, this is not quite a family firm: the brothers floated about 15 per cent of the equity on the Unlisted Securities Market in 1981.

While the USM was a good means of getting some money out the business, there was a rather more important long-term objective.

James Johnstone says: "The USM also increased the company's credibility in the market sector we are in. In the 1970s the capital was only £15,000. There are 10.5m 10p shares now."

The shares were 63p each at flotation. Just before Christmas they were 98p but the price during the last 12 months has ranged from 78p to 178p, the latter in anticipation of last week's strong results. Profit-taking afterwards saw a fall to 150p.

Yesterday they eased to 140p but that price still says much about the company's strength.

Johnstone's main business is in trade decorative paints. The decorative market is split into two halves—do-it-yourself and trade—and there are important differences in supplying either.

While many DiY products are also sold to trade decorators, some paints are only sold to the trade. These may only come in certain volumes, or require special skill to apply, or be usable only under tightly defined conditions.

In paint markets generally, giants such as ICI, Crown and Berger fight tooth and nail for a share. Usually, the only places where smaller manufactures can make good profits are specialist niches, of which the trade decorative segment is most certainly not one.

Pricing pressures from the giants, and rising raw material costs that have eroded everyone's margins, have squeezed medium-sized companies mercilessly in the 1980s.

Many have been gobbled by giants. Others—often old family businesses—have struggled to make profits of even 1 per cent of turnover.

JOHNSTONE'S PAINTS

PERFORMANCE RECORD

	Turnover (£m)	Pre-tax profits (£m)
1986	14.51	2.05
1985	11.96	1.54
1984	10.47	1.52
1983	10.21	1.93
1982	9.31	1.85
1981	8.12	1.62
1980	7.40	1.15
1979	5.78	1.01
1978	4.75	0.82

This is the trend that Johnstone's has been bucking. Although its profits followed the industry's and dipped in 1984 and 1985 because of the world-wide rise in the cost of white pigment, growth in turnover has been running at an annual 20-plus per cent.

In 1986, as the pressure on margins eased, profits leapt ahead. James Johnstone is forecasting a strong 1987, too.

He says that the upward sales trend has been continuous since 1950. Moreover, growth has been what he calls "natural" and not the result of acquisitions.

So how has Johnstone's done it?

Ian Johnstone says: "The market philosophy is simple: service, and the right products at the right prices at the right time in the right place. We also believe that the customer is always right."

James Johnstone adds: "Consistency matters enormously to trade painters. They notice if anything changes. And they stick with you if things work right.

"Customer-led consistency has been something we have followed all our life. If they moan about a product we change it. And because of our structure as a company we can move very quickly."

The brothers all work together in nearby offices that are all equally functional and unimpressive.

They lunch daily in a boardroom so small that since a sideways shuffle is needed to get round the table, the ladies from the canteen have to lean down it from the end nearest the open door to pass the food in.

The money is in the business and it shows in places like the up-to-the-minute computer room, the latest mixing plant in the paint factory, and the modern warehouse from which supplies are distributed to 18 trade centres in the conurbations of Britain.

Last year's investment included three new centres—in Glasgow, Leicester and Reading. More growth of turnover will almost certainly follow the opening of others. A wide range of professional-standard tools has proved a useful sideline at each.

The company has even saved money on distribution. Much of the 12m litres of paint made in Manchester each year comes not in cans but square-section 5-litre plastic pails. A pallet will hold 36 of these, compared with only 27 round tins

Being able to respond quickly in such matters is one result of Johnstone's manageable size of 230 employees.

Ernest Johnstone says that the only way this number fluctuates is upwards but adds: "We think we have got the system right and are on top of the job."

Other paintmakers think so too and some giants have come with their offers. But the four families own 80 per cent of the company and seem unlikely to sell.

"There's a younger lot coming up needing to make a living," says James Johnstone. "You can't beat having your own place, you know."

Stat-Plus shares leap after 78% profit rise

THE SHARE price of Stat-Plus Group reacted strongly yesterday on the news of a 78 per cent advance in profits, a 91 per cent surge in earnings, a near-67 per cent lift in dividend, and continued excellent trading in the opening two months of the current year.

The shares climbed a further 85p to close at 560p.

The directors of the group, which is engaged in the retailing of office and law stationery, printing and furniture, also reported that cashflow was strong, cash deposits being £3.2m at December 31.

Turnover in 1986 rose by 40 per cent to £7.95m, with the operating profit moving ahead 73 per cent, from £1.44m to £2.5m. Interest income increased to £235,000 (£96,000) to give a pre-tax profit of £2.73m (£1.53m).

Earnings per share worked through at 23.9p (12.5p) and the final dividend is 3p for a net total of 5p (3p). Shareholders also receive a two-for-one scrip issue, which would increase the capital to over £1m.

Results included all related costs in graduating from the USM to the Official List.

Mr Derek Bird, chairman, said there had been cotinued penetration of the specialist legal market in the Home Counties and the south-east, and the injection of additional salesmen into Central London had expanded further the already considerable customer base in that area.

Progress was maintained at the customer service centre and warehouse at Aztec West, Bristol. That operation had surpassed the company's ambitious sales and profit objectives, he said.

New computer software introduced during the year and the management information provided enabled the company to better direct the marketing effort and restructure the calling patterns of the sales team.

Distribution and customer service improved further and greater stock turn was achieved. Increased product volumes assisted purchasing with a positive effect on gross margins.

PRECIOUS METALS TRUST made net profit of £79,000 in six months ended January 31 1987 (£71,000) for earnings of 0.68p (0.6p). Investment income £131,000 (£124,000) and profit on dealing £69,000 (£55,000). At January 31 net asset value was 199.3p (149.7p).

Mucklow confident as halfway profits rise

Mr Albert Mucklow, chairman of A. & J. Mucklow, property investor and estate developer, has re-affirmed his forecast that the current year would show an improvement in profits over the previous £5.4m.

For the six months ended December 31 1986 the pre-tax profit rose from £2.64m to £2.78m, including rental income £3.52m (£3.2m), trading profit £219,000 (£103,000) and investment income £13,600 (£246,000).

The chairman said market conditions continued to improve and the development programme was being expanded. Five sites being worked on would add over £1.5m annually to the rent roll.

House-building activity made good progress and its contribution should become more significant in future.

Earnings for the period came to 3.7p (3.43p) and the interim dividend is stepped up to 2.56p (2.4p) net.

There was an extraordinary credit of £822,000 arising on release from the pension fund under a reconstruction, and that would be credited direct to reserves at the year end.

APV HOLDINGS: Proposed acquisition of Baker Perkins will not be referred to the Monopolies and Mergers Commission.

Hampden Homecare over £1m as margins improve

FOR THE 53 weeks to January 3 1987, Hampden Homecare, Belfast-based home improvement store operator under a franchise agreement with Home Charm group, reported pre-tax profits of £1.02m against £737,000 for the 52 weeks to December 28 1985.

The market in Northern Ireland continued to show growth, Mr John Goldstone, the chairman, stated, and he looked forward to 1987 being another successful year. Turnover for the period rose by 21 per cent, from £13.63m to £16.45m, and profit margins from 5.4 per cent to 6.2 per cent.

A final 1.1p dividend is recommended, making a total of 1.6p for the year. Earnings worked through at 6.92p (4.58p) per 10p share, after a tax charge of £327,000 (£280,000). There was a £242,000 extraordinary debit, relating to rationalisation and closure costs net of tax.

The chairman said the company continued to review the opening of Texas Homecare stores in the Irish Republic. The latest store at Ballymena, in the North, was opened last June. Construction of the superstore at Upper Galwally, south Belfast, together with a garden centre, was almost complete.

The company's shares are traded on the USM.

TECHNOLOGY

An old boy network, not a puppet show

Carla Rapoport finds that the Japanese approach to research and development is effective without being secretive

THE LEADERS of America's electronics industry have just visited Washington to seek government funding for Sematech, a proposed $1bn (£629m) co-operative manufacturing venture aimed at restoring US chip makers' competitiveness against the Japanese.

The move is an extraordinary one for the Americans, as high tech companies tend to guard their secrets jealously and then do battle in the marketplace. Now, however, they have realised that the opposition plays by different rules.

Just how different the game is in Japan was revealed at a recent Tokyo seminar given by the Japan Technology Transfer Association. As speakers from private industry, academic institutions and government explained, the Japanese have two powerful weapons: a cohesive national policy on technological development, funded by the Government, and a scientific old boy network that extends to every board room and laboratory in the country.

Next to West Germany and the Soviet Union among industrialised nations, Japan spends the highest portion (2.77 per cent) of its gross national product (GNP) on research and development (R&D). More than a third of this goes to universities and government research institutes. But nearly all of it is centrally co-ordinated through government committees and the scientific old boy network.

Mr Hajime Karatsu, a professor at Tokai University and a technical advisor to Matsushita Electric, Japan's largest electronics company, gave the seminar a spirited overview of how the two circles of power work.

"Why do Japanese companies sell such similar products? It looks like they are co-operating," said Mr Karatsu. "It's because all the engineers at the companies know each other."

He said that also applied to the presidents, who probably had gone to university together or went to the same parties. "One (company) starts something and the presidents call each other to discuss it." The upshot was that Japanese companies did not suffer from the not-invented-here syndrome.

Foreigners imagined, he said, that officials from the Ministry for International Trade and Industry (MITI) stood over the technology stage like grand puppeteers, manipulating industry at will. This was not the case because the average MITI man changed job after just two years.

MITI's secret was its committees, he said. A mixture of industry leaders, academics and consumers were selected for dozens of committees on technological and industrial matters, from restructuring to manned space flight. Through committee debate, MITI helped industry to form a consensus about which areas it should concentrate on. It also determined its policy on allocating funds for R & D in this way.

"Through this committee method, R & D policy is actually negotiated by the leaders of industry, so it is accepted naturally by all the companies. That is the secret of our industrial policy," he added.

Mr Yoshihiko Sumi, deputy director of MITI's Agency of Industrial Science and Technology (AIST), speaking at the same seminar, said: "In the area of industrial policy, particularly R & D efforts, we act as co-ordinator or organiser for private industry."

MITI had the advantage, he pointed out, of maintaining its own research facilities. AIST had a budget of Y104bn (£426m), which was disbursed to 16 national laboratories. "Japan's industry leaders see us as a catalyst rather than a major source of funding. As a result, efforts to co-operate between private and public sector increase all the time," Mr Sumi said.

Japanese industry may not consider MITI a major source of funding, but to outsiders, Government support for R & D looks generous.

Japan's fiscal investment and loans programme this year has a Y6bn technological development lending programme for private companies. Tax incentives for R & D projects allow any company to deduct from its taxes 20 per cent of any increase in annual R & D spending, up to a limit of 10 per cent of total tax.

Under a high tech tax credit, keyed to 200 areas such as new materials, electronics and biotechnology, a company can deduct 7 per cent of the price of research equipment, up to a maximum of 15 per cent of total tax.

Small and medium-sized Japanese companies can deduct up to 6 per cent of their R & D spending from their taxes. Other special programmes include deductions for technology exports and for donations to other companies' research, and accelerated depreciation for research assets.

What will Japan come up with next? Mr Karatsu's advice to the foreigner is to make a contact on a MITI R & D committee: "If you can get some friend who is on the committee, you can get tomorrow's information about Japan. It's not secret. Japan is not so closed as you think."

Japan's government funded R & D programmes

Project name	Sponsoring agency	1987 Budget
Basic technologies for future industries (new material biotechnology, new electronic devices)	AIST	Y 6bn
The large-scale projects (advanced material processing and machining systems)	AIST	Y15bn
New energy technology (solar, geothermal, coal and hydrogen energies)	AIST	Y44bn
Energy conservation technology (super heat pump energy accumulation system)	AIST	Y11.5bn
Other energy-related technologies (uranium enrichment, commercialisation of fast breeder reactor)	ANRE	Y72bn
The fifth general computer project	MIIB	Y4bn
International development of aircraft YXX and V2500 projects (jetliner project in co-operation with Boeing)	MIIB	Y4.7bn
The free flier system for unmanned space experiment	MIIB	Y1.7bn

AIST: Agency of Industrial Science and Technology

ANRE: Agency of Natural Resources and Energy

MIIB: Machinery and Information Industry Bureau

An everyday tale of gas analysis

Concluding a series on analysis methods, Peter Marsh explores the trend towards factory floor use of equipment which examines the make-up of gases—including the mass spectrometer that fits in a suitcase

SCIENTIFIC instruments used to be almost exclusively the preserve of the analytical laboratory. As recently as a decade ago, using the machines was invariably too difficult for anyone apart from skilled technicians—and the equipment would have been too delicate to see service in places where it might be treated roughly.

Nowadays, however, the systems are gradually leaving the laboratory and earning a living in other areas of industry, the factory floor for example. This trend, which is due to technical advances in detection systems and computers, has been especially apparent in the case of mass spectrometers, machines which record the identities of molecules in gaseous mixtures.

Increasingly, mass spectrometers, total sales of which reached $223m in 1985, according to Market Intelligence Research (MIR) of Palo Alto, California, are finding application in parts of manufacturing industry where engineers wish to continually monitor gases in order to spot defects in vacuum equipment or to check on the course of reactions.

This is in contrast to the traditional uses of the machines, in which technicians analyse a material in a laboratory. An example could be to find out the constituents of a mud sample in a drilling operation in the oil industry.

While the most sophisticated mass spectrometers can cost anything up to $500,000 and take up the space of a small room, the machines seeing use outside laboratories, in areas such as process control, are much cheaper at between $5,000 and $30,000 and are much smaller, containing their own advanced data processing systems to make them easier to use.

Frequently, the smaller systems are based on electrical devices called quadrupoles, which separate out molecules electrically. The traditional, larger mass spectrometers use more cumbersome separation equipment based on magnets. Although the portion of the mass spectrometer market based on small, quadrupole machines is tiny—it is worth no more than about $50m, according to estimates—it is growing fast.

"With quadrupole systems, engineers can carry their mass spectrometers to work in a suitcase," says Mr Michael Dent, managing director of Spectramass, a UK company which sells quadrupole-based mass spectrometers. He sees particular growth for the equipment in factory automation and in systems to monitor pollution.

Other makers of quadrupole equipment include VG Instruments and Hiden Instruments of the UK, Ulvac and Anelva of Japan and UTI and Inficon, both based in the US. Inficon, which is owned by Leybold Heraeus, a West German instruments concern, is particularly strong in selling to semiconductor companies like IBM, National Semiconductor and Intel, which are using the systems to monitor the gases used in the various stages of silicon wafer production.

In similar applications, the smaller, cheaper versions of mass spectrometers are finding use in controlling heat treatment under vacuum and in the building up of layers of material on the surface of glass for the optics industry.

Techni-Braze, a company in California, has bought Inficon systems for checking whether the vacuum equipment it uses for heat-treating metal parts (aerospace components for example) has sprung a leak. OLCI, a US company which makes optical glass for spectacles is another user of Inficon hardware.

In the higher-resolution end of mass spectrometer business, where the machines are mainly used in laboratories, Finnigan Corporation, of San Jose, California, is the world's biggest company, with sales last year of $90m. Mr Bob Finnigan, vice chairman and founder of the company says he is "very interested" in the emerging market for mass spectrometers in process control, particularly in the biotechnology industries. He cautions, however, that this market will take time to develop.

Observers expect Mr Finnigan to become involved in process control applications by supplying equipment to systems providers such as Foxboro, a leading US sensor manufacturer. The main competition for Finnigan in high-resolution spectrometers, according to Hambrecht and Quist, a US venture capital company, comes from VG, Spectros (a UK company), Nicolet and Shimadzu, JEOL and Hitachi of Japan.

Other articles in this series appeared on February 26 and March 5.

More demand for machines that track pollution

ANALYTICAL machines such as mass spectrometers are seeing increased use in efforts to keep track of environmental pollution, according to a report from Hambrecht and Quist, the US venture capital company.

The systems are being used in the privately-backed environmental service laboratories which are starting to mushroom in the US. According to the report, these laboratories had revenues of $150m in 1985, with an annual growth rate of about 35 per cent.

The centres should be "an active market arena" over the next five years, according to Ms Nancy Pfund, author of the report. Federal environment production authorities can be expected to contract out to private industry jobs such as analysis of materials from waste tips. Companies, too, are turning to the laboratories for "pollution audits" to check whether their products or processes may be contravening laws.

Another lucrative area for companies may be analytical tests, becoming increasingly insisted on by employers, to check whether people are taking drugs. The new laboratories highlighted in the report include CompuChem, of North Carolina, which specialises in checks on government employees for drug abuse, and Enseco, which has centres in California and Colorado and which advises on waste disposal.

Other leading laboratories include Environmental Testing and Certification, of New Jersey, International Technology Corporation, of California, and New Mexico-based Thermo Analytical. The latter is a subsidiary of Thermo Electron, based in Massachusetts, which sells energy systems and bomb detection equipment for airports.

The Quiet Revolution, Analytical Instrumentation Extends Its Reach, Hambrecht and Quist, 235 Montgomery St, San Francisco 94104.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
American Income	51.3	54.4		4.81
Gilts & Fixed Int.	111.2	117.4		10.20
High Inc Equity	115.4	122.7		4.74
Worldwide Bond	192.4	204.6		4.74
Capital Growth				
American Growth	170.8	181.7		0.78
Asian Pacific	65.9	70.1		1.62
Assets & Emrg. Tst.	134.3	142.9		1.99
Capital Reserve	69.5	69.9		1.44
Commodity & Eng.	125.4	133.4		0.85
European Capital	93.2	99.1		1.28
General	161.2	171.4		2.48
Japan	80.0	85.1		0.0
Mastertrust	74.9	79.6		2.06
UK Growth Acc Units	192.4	204.6		0.77
UK Growth Dist	133.1	141.5		1.13
U.S. Emerging Co's	62.5	66.5		0.08
Equities Prog.	255.5	271.8		3.65

Allied Dunbar Unit Trusts PLC (a)(c)
Allied Dunbar Centre, Swindon, SN1 1EL
(0793) 28291. Dealing (0793) 610366

	Bid Price	Offer Price	+ or −	Yield Gross
Balanced Trusts				
Growth & Inc Trust	158.1	167.6	−0.2	3.06
Capital Trust	267.3	283.5	−0.3	2.44
Balanced Trust	420.7	454.5	−0.3	2.90
Accum Trust	654.8	694.1	−1.9	2.41
Income Trusts				
American Income Tst.	32.9	35.0	−0.1	4.26
High Income Trust	279.0	311.4	+1.5	4.18
Equity Income Trust	167.5	177.4	+0.9	4.21
High Yield Trust	170.9	181.3	+1.0	4.81
Gilt Secs Trust	30.2	31.5	+0.4	7.75
International Trusts				
Asian Spec Sit Tst	72.3	77.9	+0.3	1.23
European Growth Tst	22.9	24.8	−0.1	0.98
International Tst.	100.3	106.8	−0.6	0.98

[illegible]

INSURANCES

[illegible]

FT CROSSWORD PUZZLE NO. 6,275

DANTE

ACROSS

1 Not a civil servant (6)
4 Beats making money! (6)
8 Associate to make things more difficult (7)
9 Sounded like a horse tangled in hedge (7)
11 Horrid woman novelist on board, perhaps (10)
12 Lied about being out of work (4)
13 African known for his pride, as I am perhaps (5)
14 Chap from Belgium is a loyal subject (8)
16 Being so may make one react rashly (8)
18 Headless reptile jumping round the Pyrenees (5)
20 She loved Narcissus, it's recalled (4)
21 Act the liar in a dramatic way (10)
23 Musical space-travellers (7)
24 Building society deposit? (7)
25 Angry outbursts in play (6)
26 It's experienced in poetic form

DOWN

1 Game for house-hunters? (5)
2 Depressing features for meteorologists (7)
3 The lending of money is increasing (9)
5 Musical work taking a long time to produce (5)
6 It's not always bound to be worn in the lady's boudoir (7)
7 West Indian play group (5,4)
10 Got cool (9)
13 Spot complicated clues—but they're of little matter (9)
15 Being in the wrong scene, exit (9)
17 Proclaim two points have little weight (7)
19 Gets off with a slight dislocation (7)
21 Name for a fight, perhaps (5)
22 Upset a girl and suffered (5)

Solution to Puzzle No. 6,274

DECODE PRODUCER
E H A M O E D E
BOARDROOM PARTS
O R O H A O F I
NEAT FAINTSOUND
A C E I C I E
INTEGER ENTRAP
R E G I L P
TRUSTS GROWLER
O H T A N O O
BELLADONNA STEP
J A M M D S M O
ESTOP ALERTNESS
C H O T R A N E
TEETOTAL CRATER

AUTHORISED UNIT TRUST & INSURANCES

Growth & Sec. Life Assce. Soc. Ltd
23 Bolyo Rd, Haywards Heath, W. Sussex 0444 413707

Flexible Finance		195.71		—
Landbank Secs.		73.75		—
Landbank Secs. Acc.	255.39	261.95		—
G. & S. Super Fd.		34.8803		—

Guardian Royal Exchange
Royal Exchange, EC3 01-283 7101

Guardian Assurance.

Property Bonds	612.4	459.8		—

GRE Linked Life Assurance Ltd

Managed Initial	365.6	384.9	-2.3	—
Do. Accum.	438.1	461.2	[illegible]	—
Equity Initial	485.1	510.9	[illegible]	—
Do. Accum.	581.3	611.9	[illegible]	—
Fixed Int. Initial	256.2	269.7	-0.2	—
Do. Accum.	307.0	323.2	-0.2	—
Intnl. Initial	401.3	422.4	+3.9	—
Do. Accum.	480.9	506.2	+4.7	—
North American Initial	159.1	167.5	+1.3	—
Do. Accum.	167.0	175.8	+1.4	—
Pacific Initial	227.2	239.1	+2.5	—
Do. Accum.	245.4	258.3	+2.7	—
European Initial	97.3	102.5	-0.3	—
Do. Accum.	98.1	103.3	-0.3	—
Property Initial	140.0	147.4		—
Do. Accum.	167.7	176.5		—
Index-Linked Gilt Init.	103.0	108.4	-0.5	—
Do. Accum.	112.5	118.2	-0.5	—
Deposit Initial	140.4	147.8		—
Deposit Accum.	168.2	177.1		—

GRE Pensions Management Ltd

Pens. Managed Initial	405.7	427.1	-1.6	—
Pens. Managed Acc.	475.2	500.2	-1.7	—
Pens. Equity Initial	574.9	605.2	[illegible]	—
Pens. Equity Acc.	673.4	708.8	[illegible]	—
Pens. Fxd. Int. Initial	290.3	305.6	-0.5	—
Pens. Fixed Int. Acc.	340.0	357.9	-0.6	—
Pens. Int'l Initial	386.4	406.8	+3.6	—
Pens. Int'l. Acc.	452.6	476.5	+3.3	—
Pens. Prp. Initial	167.6	176.4		—
Pens. Prp. Acc.	196.3	206.6		—
Pens. Ind-Lkd. Gilt In.	121.9	128.3	-0.5	—
Pens. Ind-Lkd. Gilt Ac.	132.9	139.9	-0.6	—
Pens. Dep. Initial	183.6	193.2		—
Pens. Dep. Acc.	215.0	226.3		—

Hearts of Oak Benefit Society
129 Kingsway, London WC2B 6NF 01-404 0393

Property Fund	49.3	51.9		—
Managed Fund	195.1	207.6		—

Liberty Life Assurance Co Ltd
Station Rd, New Barnet 01-440 8210

Sel Sec A	36.1	37.9		—
Managed	29.8	31.3		—
Equity	23.8	25.1		—
Blue Chip	33.7	35.5		—
Special Sits	32.7	34.5		—
International	38.8	40.9		—
European Fund	10.1	10.7		—
American	26.2	27.6		—
Pacific	36.0	37.9		—
Property	25.3	26.7		—
Fixed Yield	23.3	24.6		—
Int Currency	17.5	18.5		—
Deposit	18.3	19.3		—

London A'dsn & Nthn. Mtl. Assur. Ltd
129 Kingsway, London WC2B 6NF 01-404 0393

'Rent Builder'	132.9	139.9		—

London Indemnity & Gnl. Ins. Co Ltd
18-20 The Forbury, Reading 583511

Money Mgr March 1	129.4	132.8		—
MM Flexible March 6	[illegible]	[illegible]		—

London Life
100 Temple St, Bristol BS1 6EA 0272-279179

Assurance

Equity	508.4		—
Fixed Int.	288.5		—
Property	241.6		—
Deposit	173.6		—
Mixed	347.1		—
Index Stock	138.6		—
International	188.2		—

Assurance—Series A

Equity (A)	124.1		—
Fixed Interest (A)	108.6		—
Property (A)	107.5		—
Deposit (A)	104.4		—
Mixed (A)	115.6		—
Index Stock (A)	108.7		—
International (A)	123.9		—

Pensions

Equity (P)	498.6		—
Fixed Int. (P)	298.8		—
Property (P)	187.2		—
Deposits (P)	170.3		—
Mixed (P)	312.3		—
Index Stock (P)	143.8		—
International (P)	201.7		—

London & Manchester Group
Winslade Pk, Exeter EX5 1DS

Canada Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Assurance Ltd

Friends' Provident

GT Management Ltd

Gartmore Fund Managers Ltd

General Accident Linked Life Assurance Ltd

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Assicurazioni GENERALI SpA

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

Merchant Investors Assurance

The LAS Group

Legal & General (Unit Assur) Ltd

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK) Ltd

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Schroder Life Assurance Co Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur. Co Ltd

Providence Capital Life Ass. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Refuge Life Assurance So Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Save & Prosper Group

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Scottish Life plc

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Sun Life Pensions Management Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 394000

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

The Parchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Managed by Parchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

J. D. Ward & Co Ltd
95 Lincoln's Inn Fields, WC2A 3LX 01-242 2263

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc	10.55	7.89	11.44	Qr
Money Acc	10.36	7.78	11.29	Qr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	10.75	8.06	11.91	Mth
Over £10,000	11.00	8.25	12.20	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth Pl, 1SE 0752 224141

High Int Chq Acc	10.88	8.13	11.80	Qr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1A 7AE 01-606 9485

High Int Cheque Acc	11.25	8.41	12.23	Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
	18	Brit Land	17
Glaxo	110	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	$3\frac{1}{2}$
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Aluminium prices under pressure

By Richard Mooney

ALUMINIUM PRICES on the London Metal Exchange came under severe pressure yesterday as speculators unloaded recent purchases. The cash position closed at £837 a tonne, adding £40.50 to Tuesday's £12 fall and wiping out most of the advance accumulated over the past four weeks.

The price rise was largely due to technical tightness of nearby supplies, exacerbated by covering purchases by granters of the unusually large amount options falling due at the end of April and the end of May. Supplies of the relatively low grade aluminium deliverable against the LME contract have been particularly short.

Oversupply

Traders became concerned, however, that the market had risen too far, too fast, and not all were convinced that the fundamental supply/demand situation justified the higher price level. "Fundamentals are beginning to reassert themselves," said Mr Angus McMillan, a Shearson Lehman Brothers analyst, yesterday. "The real market is moving into oversupply."

But at Rudolf Wolff, an LME broker, Mr Anthony Hodges saw "no fundamental reason" for the price fall. "The tightness still exists," he said.

Mr Hodges attributed the fall to a combination of a technical reaction to the preceding strong rise and a nervous reaction to figures published this week by the International Primary Aluminium Institute. These showed a modest rise in western world stocks of the metal at the end of January, whereas many traders had been expecting a substantial fall.

There seems to be no question, however, about the continuing tightness of supplies available for nearby delivery. And this is reflected in the cash premium over the three months position at the LME, which narrowed only marginally yesterday to £36.25 a tonne.

Although he thinks aluminium prices may fall further Shearson's Mr McMillan believes the cash premium, or "backwardation" as it is called on the market, will widen out again.

Saudis to allow more Iraqi oil through pipeline

BY RICHARD JOHNS

SAUDI ARABIA has agreed to allow Iraq to export 500,000 barrels a day from its Red Sea terminal at Yahbu. This means it can now pump to the full capacity of its spur pipeline which connects to the Kingdom's trans-peninsua facility Petroline, industry executives say.

This agreement could result in another 250,000 b/d of Iraqi crude flowing on to the market, adding to the problems facing other members of the Organisation of Petroleum Exporting Countries in their fight to maintain a price structure based on a central reference price of $18 per barrel.

Full throughput will enable Iraq to pump rather more than 2m b/d and export nearly 1.7m b/d after taking into account domestic consumption.

This compares with a quota assigned to it by other members of Opec of only 1.46m b/d under the 1987 output pact reached in December and which Baghdad rejected.

Saudi assent was given — apparently grudgingly—following the visit to Riyadh late in February by a powerful Iraqi delegation led by Mr Taha Yassin Ramadan, the First Deputy Premier, who is second only to President Saddam Hussein in the Baghdad regime. The delegation included Mr Qassem Taki, the Minister of Oil.

Saudi Arabia's oil production is understood to have fallen last week to only 2.4m barrels a day in the face of buyer resistance to the official selling rates which came into force at the beginning of February. Last month it sustained a rate of about 3.5m b/d compared with its Opec quota of 4.13m b/d. With the domestic market absorbing 800,000 b/d and export refineries (including Bahrain's facility) taking an estimated 600,000 b/d, such a rate would have left crude exports from the Ras Tanura and Juaymah terminals in the Gulf at only about 1m b/d. The Kingdom appears to be bearing the brunt of the fall in demand. Total Opec production in February was 14.9m b/d compared to the collective ceiling of 15.8m b/d, according to Mr Rilwanu Lukman, Nigerian Minister of Oil who is president of the organisation.

For their part the Iraqis have been angered by the fact that the flow in the first two months this year was restricted to 250,000 b/d by the Saudi government. Riyadh claimed this volume was the maximum possible because of engineering work involved in "tie-in" of the loop line which has expanded the capacity of Petroline from 1.85m b/d to 3.05m b/d.

This explanation was regarded with scepticism by the Iraqis — and, indeed, close industry observers — who believe the Saudis were merely a polite, but dishonest, excuse to limit Iraq's overall export volume.

The Saudi government is believed to have made assent to the full throughput conditional on Iraq charging Opec's official selling rates for crude shipped from Yanbu. It seems unlikely that any pledge by the Opec maverick to this effect would be honoured.

Its throughput to Yanbu is understood to be already running at 450,000 b/d. In contrast, Saudi Arabia is said to be exporting virtually nothing from the terminal because buyers have jibbed at the 25 cents extra per barrel charged for crude lifted there.

Iraq's main export outlet continues to be the pipeline to Ceyhan on Turkey's Mediterranean coast with a capacity of 1.05m-1.1m b/d. In addition, it has been trucking more than 200,000 b/d of crude and products overland via Jordan and Turkey.

The second line to Ceyhan under construction, which will have a capacity of 500,000 b/d, should be completed on schedule in June, according to a recent statement by a senior Iraqi oil official. It will raise Iraq's export capacity to 2.2m b/d, further compounding Opec's problems.

Cheap butter complaint rejected

BY TIM DICKSON IN BRUSSELS

EUROPEAN margarine manufacturers, who claimed an EEC "Christmas butter" scheme had undermined the market for their own products, were yesterday firmly rebuffed by the Luxembourg-based European Court of Justice.

In a significant verdict, the court rejected all the arguments of Walter Rau Lebensmittelwerke, a West German business and three other companies and ordered them to pay their own costs.

The result was welcomed yesterday by the European Commission, which had introduced the cheap butter scheme in October 1984 as a means of disposing of surplus EEC stocks direct to European consumers. An official added that it would not alter the policy of the Commission, which had already discontinued "Christmas butter" on the grounds that it was too expensive to administer.

The court's judgment nevertheless lays down some important principles at a time when other stock disposal schemes—notably the emergency provisions for giving Community food to victims of the cold—continue to arouse controversy on the grounds that they displace normal market purchases.

The complainants put forward four main arguments—firstly, that the Commission did not possess the power to introduce such a scheme, secondly that the scheme destabilised the market, thirdly that the Commission had contravened the principle of non-discrimination between dairy producers and vegetable oil producers, and fourthly that the scheme had not achieved its stated purpose of increasing butter consumption.

On the question of competence, the court found that such Commission powers did indeed exist under council regulation 804/68 which was open to "wide interpretation" given the Commission's key role in following the evolution of agricultural markets and acting "urgently when the situation required it."

On the question of destabilisation, the court found that the Commission could give greater priority to one market rather than another and that there was no evidence that Christmas butter "had provoked a real and lasting effect on the market for margarine."

As for discrimination, the judgment referred to three essential differences between the butter market and the margarine market. Whereas the butter market is characterised by a guaranteed intervention price, the oils and fats sector relies essentially on a system of production aids. Butter "occupies a fundamental place" in the dairy sector regime, whereas margarine does not have a comparable role in its sector. The oils and fats market, did not suffer from the same difficulties as the milk products market.

On the success of the Christmas butter scheme, the court found that it was not an "inappropriate" measure given the Commission's stated objectives.

Producer reactions to the failure of coffee quota talks

Brazil expected to delay export policy decision

BY ANN CHARTERS IN SAO PAULO

BRAZIL is likely to wait at least one or two weeks, in the opinion of local traders before deciding whether to adopt an aggressive or conservative sales policy in response to the failure of this month's talks on the resumption of coffee export quotas under the International Coffee Agreement.

The latter would mean exports for May and June would stay at present monthly levels of 1.5m to 1.7m bags (60 kilos each) and the country would sit out the Brazilian winter with its chances of frost.

The quandary on what future strategy to adopt is very serious. Domestically, coffee Coffee Institute at Cr 2,100 caught in a dilemma as the government support price for sales of coffee to the Brazilian Coffee Institute at Cr. 2,1000 net, (about $100) per bag is still slightly more attractive than export, but only if the government pays promptly, not in 30 days time.

The support price is unlikely to be increased because the government lacks funds. But the current price is not indexed, meaning that it loses value daily in proportion with Brazil's resurgent inflation.

With the domestic price weakening and international prices still weaker, those holding coffee would prefer to wait, but pressures to sell are strong. Money in the hand earns 15 per cent a month now and coffee prices are unlikely to jump an equivalent amount.

Export registrations up to the end of April are 4.9m bags and domestic consumption is expected to reach between 3m and 4.8m bags for the first half of the year. The IBC is expected to buy an additional 1.2m bags on top of the 2.3m already delivered. This means there is pressure to export close to 2m bags per month for the remaining first half of the year.

Taking stock of the situation, Mr Jorio Dauster, the new president of the Brazilian Coffee Institution, is meeting coffee producers, traders and brokers this week to learn about the domestic market situation. One Coffee Association member said: "He's very dedicated, honest and capable, and we expect a lot," he added.

April's export registrations reached 1.7m bags in one day but caused discontent among some traditional sellers that did not move fast enough before registrations closed that very same day. Finding room for all those that want to export coffee before the end of June in a weak international market is just another one of the IBC's headaches.

The country's inclination in the long run is to be competitive and aggressive in coffee sales, but only a frost in the winter would firm up the market enough to make some traders feel comfortable without a new ICO agreement in the near term.

Any optimism that a new agreement would be reached has evaporated. Now the coffee trade is taking a fresh look at life without quotas.

Kenya will not curb sales

By Andrew Buckoke in Nairobi

KENYA will not curb coffee exports even if the International Coffee Organisation's quota system is reintroduced, according to Mr Patrick Katingima, general manager of the Coffee Board of Kenya. The country now auctions 30,000 to 35,000 bags a week, and has decided to push this up to about 40,000, or 1.9m bags a year, irrespective of any resolution of the current deadlock in the ICO.

This compares with its previous quota, assuming market share of 2.46 per cent, of 1.3m bags. "Where do we take the remaining 700,000 bags and how do we pay our farmers?" asked Mr Katingima. He does not believe any new quota system could adequately reflect production levels, approaching 2m bags a year, and Kenya, with little else to fall back on, has no option but to sell as much of its principal export as it can on the open market.

If quotas are reintroduced it plans to open a second catalogue at the weekly auctions to sell all the production above its new ICO quota to non-member countries. There are no plans to withhold coffee from the market by building up stocks.

The failure of the recent ICO meeting in London to agree quotas and the associated collapse of coffee prices, already weakened by increasing supply, could be calamitous for Kenya's economy, which is apparently buoyant after the combination of last year's high prices with low oil prices.

President Moi warned last week of the threat posed by the reversal of these circumstances to the country's foreign exchange reserves in his opening address to Kenya's parliament.

The World Bank estimates that Kenya earned a record $490m from coffee in 1986, up from $286m in 1985, accounting for most of the 26 per cent increase in exports to $940m. Combined with low energy costs, this enabled Kenya to achieve an estimated balance of payments surplus of $23m in 1986, with foreign exchange reserves standing at $452m—three months' import cover—at the end of the year.

Colombia fears price war threat

BY SARITA KENDALL IN BOGOTA

THE Colombian Government and the country's coffee producers have agreed not to adopt any hasty measures to meet falling prices and the collapse of attempts to revive export controls under the coffee pact. Colombia's 1987 coffee earnings are expected to be at least $1bn down on last year, when the short lived price bonanza which followed the 1985 Brazilian drought contributed to a substantial rise in international reserves and an economic growth rate of 5.3 per cent.

The failure to reach an agreement on export quotas was greeted with concern and indignation in Colombia—concern over a possible price war, and indignation about the intransigent attitude taken by the US. Colombia's conservative coffee strategists have always worked for a stable world market, and criticised other producers' attempts to manipulate prices.

However, some coffee experts say the country should be able to profit from a free market: Colombia has an efficient coffee sector, with strong production, marketing, financial and transport infrastructure. It also has excellent quality coffee, and over 9m bags of stocks.

Not surprisingly, exporters are extremely cautious about making any forecasts. The Coffee Federation, however, which handles more than half of exports, says foreign sales in 1987 should be around 11.3m bags, similar to last year's volume. This was originally expected to bring in about $1.5bn which would still give the country a trade surplus this year. If an agreement had been reached in London, Colombia's export quota would have been about 9m bags, about 16 per cent of the world market.

Talks between the financial authorities and the coffee sector were due to begin late this week, and some changes in the instruments traditionally used to regulate coffee exports seemed likely. Although the Ministry of Finance has said the government does not plan to cut imports or increase the devaluation rate, there is likely to be a current account deficit in the balance of payments of well over $1bn at the end of the year.

Increases in oil and coal earnings will help to compensate for any drop in coffee receipts, but foreign debt servicing has risen to more than 40 per cent of export income. In recent weeks opposition party economists have urged the government to reschedule the country's $13bn foreign debt. The Minister of Finance said Colombia would have no difficulty meeting foreign obligations, provided credit lines were maintained.

However, the government is seeking loans to finance new programmes, and there are fears that bankers will now be reluctant to increase their exposure in Latin America.

LONDON MARKETS

COFFEE PRICES moved higher on the London futures market yesterday, recovering some of last week's heavy fall. The May position ended £26.50 up at £1,339 a tonne, while the prompt March position gained £37.50 to £1,322.50 a tonne. Dealers said trading was mainly technical. While producers continued to hold out for higher prices the market began to fill some of the "chart gaps" left by the fall, which followed the breakdown last week of talks on the reintroduction of International Coffee Organisation export quotas. Meanwhile coffee prices drifted lower on sterling's firmness and belated hedging sales against recent purchases from French-speaking West African producing countries. Dealers also noted a lack of offstake in the resale market as the May futures position slipped £8.50 lower to £1,308.50 a tonne. Sugar futures were also weaker with nearby positions ending about $5 lower.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	836-8	—40.5	856/854
3 months	800.5-1	—36.75	817/797

Official closing (am): Cash 855-6 (882-3), three months 811-12 (840.5-1), settlement 856 (883). Final Kerb close: 805-5.5. Turnover: 24,350 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	900-1	—4.75	904.5/901
3 months	892.5	—5.25	894/882

Official closing (am): Cash 903-4 (887-8), three months 893-4 (893-4), settlement 904 (888). Final Kerb close: 892-2.5.

Standard			
Cash	849-51	—7	855
3 months	867-9	—6	—

Official closing (am): Cash 851-2 (856-7), three months 869-71 (870-2), settlement 852 (857). US Producer prices 68.5-70 cents a pound. Total Turnover: 34,025 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	295.5-6	—2.5	297/295
3 months	291-1.5	—2.5	293/291

Official closing (am): Cash 296.5-7 (298.5-9), three months 292-3 (294-4.5), settlement 297 (299). Final Kerb close: 291-2. Turnover: 4,575 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2377-80	+6	2370/2355
3 months	2387-88	+1.5	2383/2365

Official closing (am): Cash 2,365-7 (2,375-8), three months 2,380-1 (2,390-1), settlement 2,367 (2,378). Final Kerb close: 2,385-90. Turnover: 1,874 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	464-5	+1	465/463.5
3 months	451-1.5	+1.75	452.5/449

Official closing (am): Cash 462-3 (454-4.5), three months 448.5-50.5 (449-50), settlement 463 (454.5). Final Kerb close: 452-2.5. Turnover: 7,950 tonnes. US Prime Western: 37.5-44 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.98 (16.99) ringgit per kg. Down 0.01.

GOLD

Gold rose $1¼ to $407-407½ on the London bullion market yesterday. Trading was quiet, but the metal firmed after New York opened higher in response to a rise in oil prices. Gold opened at $406¾-407 in London and was fixed at $406.85 in the morning and $407.20 in the afternoon. It touched a peak of $407¾-408¼ and a low of $406-407.

GOLD BULLION (fine ounces)	Mar. 11	
Close	$407-407½	(£256¼-256¼)
Opening	$406¼-407	(£255¼-255¾)
M'n'g fix	$406.85	(£254.919)
Aft'n'n fix	$407.20	(£255.699)

GOLD AND PLATINUM COINS		
Am Eagle	$419-424	(£263¼-266¼)
Mapleleaf	$419-422	(£263¼-265¼)
Kr'g'r'nd	$410-413	(£257¾-259¾)
½ Krug	$213-214	(£134-134½)
¼ Krug	$107½-108½	(£67½-68¼)
Angel	$415½-418¾	(£261¼-263¼)
1/10 Angel	$40-45	(£25¼-28¼)
New Sov.	$97½-98½	(£61¼-62)
Old Sov.	$97¾-99¼	(£61½-62½)
$20 Eagle	$500-550	(£314¼-345¾)
Noble Plat	$544-552	(£342-347)

SILVER

Silver was fixed 0.85p an ounce lower for spot delivery in the London bullion market yesterday at 347.6p. US cent equivalents of the fixing levels were: Spot 554.6c, up 2.1c; three-month 563.65c, up 2.35c; six-month 572.4c, up 2.05c; and 12-month 589.95c, up 2.15c. The metal opened at 347½-349½p (554-556c) and closed at 348½-350½p (555-557c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	347.60p	—0.85	349p	+0.75
3 months	356.35p	—0.75	358p	+0.25
6 months	364.45p	—1.20	—	—
12 months	380.10p	—1.45	—	—

LME—Turnover: Nil (1) lots of 10,000 ounces.

Three months final kerb: 357-9p.

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or —	Business done
April	122.5-125.0	—1.30	—
June	111.2-111.5	—1.15	111.5-111.0
August	108.5-108.8	—1.10	108.8-108.5
October	108.2-108.4	—1.20	—
Dec	111.5-111.8	—0.85	111.5
Feb	114.5-115.5	—0.25	—
April	115.5-117.5	—	—

Sales: 113 (128) lots of 20 tonnes.

INDICES

REUTERS

Mar. 11	Mar. 10	M'th ago	Year ago
1535.3	1531.7	1612.2	1625.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 10	Mar. 9	M'th ago	Year ago
Spot	113.56	113.50	—	129.41
Fut	113.14	112.93	—	134.18

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 11 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1390/410	—35	$1505/525
Copper			
Cash Grade A	£900.5	—4.75	£887
3 mths	£892.5	—5.25	£911.75
Gold Troy oz	$407.25	+1.25	$401.25
Lead Cash	£295.75	—2.5	£295.5
3 mths	£291.25	—2.5	£297.75
Nickel			
Free Mkt	171/181c		165/185c
Palladium oz	$125.00	+0.50	$123.00
Platinum oz	$529.40	+2.85	$525.75
Quicksilver†	$195/205		$170/180
Silver troy oz	347.60p	—0.85	365.20p
3 mths	356.35p	—0.75	372.80p
Tin			
Free Mkt	£4290/320	—30	£4500/520
Tungsten	$47.08		$44.51
Wolfram 22.04lb	$44/48		$39/45
Zinc	£464.5	+1	£480.5
3 mths	£451.25	+1.75	£475.5
producers	$770/790		$770/790
OILS			
Coconut (Phil)	$350zy		$417.5
Palm Malayan	$335v		$345
Seeds			
Copra (Phil)	$240v	—5	$255
Soyabean (U.S.)	$136.5	—2	$140
GRAINS			
Barley Fut. May	£113.80	—1.55	£118.00
Maize	£145.00		£144.50
Wheat Fut. May	£118.35	—0.55	£119.70
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1306.5	—8.5	£1352.5
Coffee Ft. May	£1,339	+26.5	£1567.5
Cotton A Ind.*	68.65c	—0.5	66.30c
Gas Oil May	$150.5	+4.75	$146.75
Rubber (kilo)	60.75p	+0.25	66.75p
Sugar (raw)	$204z	+4.5	$192
Wooltops 64s	451p kilo		418p kilo

‡ Unquoted. † Per 76 lb flask. c Cents a pound. * Cotton outlook. v April. z March-April. x April-May. y May.

COFFEE

Despite steadier sterling Robustas found some early incentive to push higher, following strong commission house buying through the morning, reports Drexel Burnham Lambert. Evidence of scale-up technical resistance hindered any major advance and the market met minor profit-taking.

COFFEE	Yesterday close £ per tonne	+ or —	Business Done
Mar	1320-1325	+37.5	1324-1300
May	1310-1316	+26.5	1348-1315
July	1353-1355	+18.0	1365-1340
Sept	1370-1375	+11.0	1386-1371
Nov	1400-1405	+14.0	1414-1400
Jan	1430-1435	+12.5	1440-1485
Mar	1440-1450	+15.0	1445-1440

Sales: 4,051 (4,547) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 10: Comp. daily 1979 101.97 (100.47); 15-day average 109.04 (109.53).

COCOA

Volume of trade was light with the market drifting in a narrow range to close near the lows. Some limited consumer offtake was seen but producers continued withdrawn, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
March	1280-1282	—7.5	[illegible]
May	1308-1309	—8.5	1317-1308
July	1133-1340	—8.5	1346-1338
Sept	1362-1365	—6.0	1379-1362
Dec	1388-1384	—8.0	1388-1385
March	1406-1407	—9.0	1414-1407
May	1483-1486	—10.0	1485-1486

Sales: 1,808 (1,539) lots of 10.

ICCO indicator prices (SDRs per tonne). Daily price for March 11: 1,604.79 (1,607.03): 10-day average for March 12: 1,582.35 (1,577.85).

POTATOES

The market opened unchanged to 50p down but quickly found keen buying interest resulting in a £2.00 recovery during early trade. Resistance around £170.00, basis April, was again evident throughout the day, despite a strong Dutch quotation. May again found solid support although some selling materialised around £190.00. Both positions lost momentum during the afternoon to close off highs, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	169.50	168.50	170.50-168.50
May	188.70	185.50	188.50-188.50
Nov	93.00	93.10	93.00-91.00
Feb	100.50	102.40	—
Apr	122.50	126.00	126.00-122.50

Sales: 781 (2,155) lots of 40 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $204.00 (£128.00), up $4.50 (up £2.00) a tonne for March-April delivery. White sugar $215.00, up $1.00.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
May	181.4-181.6	186.4-181.8	187.4-180.3
Aug	183.8-185.8	188.8-188.2	188.4-185.4
Oct	185.8-186.2	188.8-189.8	190.4-184.8
Dec	189.8-190.0	191.0-192.8	192.8
Mar	192.8-192.4	194.8-195.0	195.8-191.4
May	194.0-196.0	198.8-197.8	—
Aug	197.8-197.4	198.4-200.8	187.2

Sales: 3,027 (2,191) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £234.00 (£232.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 10: Daily price 8.08 (7.69); 15-day average 7.66 (7.61).

FREIGHT FUTURES

Good gains were registered on the futures. Heavy activity in the physical market prompted buying towards the close on the futures, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	917/920	920/890	890
July	791/793	795/776	780/783
Oct.	858/859	860/850	845/846
Jan.	864	—	859
Apr.	850/850	—	850/865
July	740/750	—	750/760
Oct.	840/850	—	830/840
Jan.	910	910	900
BFI.	875	—	871.5

Turnover: 364 (462).

RUBBER

PHYSICALS — The London market opened steadier, found good interest throughout the day and closed firmer, reports Lewis and Peat. Closing prices (buyers): Spot 60.75p (60.50p); April 61.75p (61.50p); May 61.50p (61.25p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 225.5 (same) and SMR 20 191.0 (190.0).

FUTURES—Index 587. April 644-654, April/June 650-660, July/Sept 653-663. Sales: Nil.

US MARKETS

EARLY TRADE buying in gold futures prompted locals to buy, steadying the market in light volume, reports Drexel Burnham Lambert. However, the market lacked impetus for a follow-through, so prices eased on mixed selling, trading in a narrow range before renewed local buying towards the close took the market back to the highs. Silver futures featured light trade buying which kept the market barely steady. Platinum was dominated by the locals, although there was good scale-down support. Early trade selling in copper futures touched off commission house stops to take the market to the lows, where profit-taking emerged to rally prices before the trade turned buyer to take the market back to the highs. Technically constructive sentiment helped keep crude oil futures steady with local and commission house buying. However, the trade was a continuous seller, tending to stifle any major advance in the market. In sugar futures trade selling touched off commission house stops as prices moved to the lows where trade buying emerged to steady the market. Cocoa futures failed to break Tuesday's highs and eased back to consolidate for the rest of the day. Coffee and cotton futures both lacked any decisive feature. The grains were also quiet. Confirmation of reports that China had in fact been buying, led to long-liquidation in the wheat as traders sold. Soyabean oil firmed on reports of buying interest for Malaysian palm oil. The beans and meal traded indifferently. Cattle eased on slower retail business and eroding cash prices. Bellies and hogs declined as traders anticipated lower cash prices.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	58.90	59.25	—	—
May	58.40	58.75	58.30	58.30
July	57.40	57.50	58.00	56.50
Sept	56.40	56.50	56.55	56.55
March	56.00	56.45	—	—
May	56.00	56.45	—	—
July	56.00	56.45	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
March	554.7	555.6	557.0	555.0
May	560.0	561.0	563.5	559.0
July	566.4	567.4	570.0	565.0
Sept	572.7	573.6	575.0	574.0
Dec	582.2	582.3	[illegible]	[illegible]
Jan	585.5	586.1	—	—
March	591.5	592.1	594.0	593.0
May	597.9	598.6	—	—
July	604.6	605.2	—	—
Sept	611.3	611.9	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
March	297.4	298.6	298.0	293.0
May	287.4	287.2	288.0	285.0
July	264.6	264.4	265.2	263.0
Sept	263.4	263.0	264.2	262.4
Dec	270.2	269.4	270.2	268.4

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 555.0 (554.0) cents per troy ounce.

GRAINS

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
	£ per tonne		£ per tonne	
Mar	117.80	—0.45	112.25	—1.55
May	118.35	—0.55	113.80	—1.55
July	120.45	—0.55	—	—
Sep.	99.95	+0.35	98.95	—
Nov.	101.85	+0.15	101.15	+0.15
Jan.	104.70	+0.10	103.70	+0.20
Mar.	107.00	+0.25	106.00	+0.25

...LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: April/May 96.25, June 95.50. US No 2 Soft Red Winter: July 90.50. French 11½-12 per cent: March 142.25. English feed, fob: April 121.00, April/June 122.00, May/June 122.25 seller, Sept 101.00-101.75, Oct/Dec 104.00-105.00 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: March 145.00 Barley: English feed, fob: March 115.00 seller Peterhead, March 115.00 buyer Boston, April/June 119.00 seller English/Scottish, 120.00 English, Aug 100.00, Sept 101.00 sellers, Oct/Dec 103.50, Jan/March 107.50 buyers English/Scottish.

HGCA — Locational ex-farm spot prices. Feed Barley: E. Midlands 115.70, N. East 115.10, Scotland 114.80. The UK monetary coefficient for the week beginning Monday March 16 is expected to change to 1.257.

Business done—Wheat: March 118.00-7.80, May 118.60-8.35, July 120.75-0.45, Sept 99.90-9.80, Nov 101.90-1.75, Jan 104.75-4.60, March 107.00. Sales: 221 lots of 100 tonnes. Barley: March 113.10-2.50, May 114.70-3.80, Sept 98.95-8.80, Nov 101.05-1.00, Jan 103.50, March 106.00-5.80. Sales: 116 lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.58p per kg lw (+1.53). GB—Sheep 189.45p per kg est dcw (+9.04). GB—Pigs 80.58p per kg lw (+1.71). GB—AAPF 97.38p per kg dw (+1.34).

FUTURES—Pigs: April 98.00, Aug 95.50, Sales: 14. Live cattle: June 98.80, Sales: 1.

OIL

April Brent traded moderately either side of $18, peaking at $18.06 early in the afternoon. May Brent traded more actively at $17.85, while May Dubai sold at $16.37 in thin trade. April WTI opened 28c up on Nymex and traded 31c up at 1.30 pm EST. In the petroleum products market gas oil and naphtha firmed on tight availability in North West Europe and good buying interest from refiners in the Mediterranean. Fuel oil was stable—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.90-17.00	+0.15
Brent Blend	17.90-18.00	+0.20
W.T.I. (1pm est)	18.40-18.45	+0.25
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	184-188	+1
Gas Oil	152-154	—
Heavy fuel Oil	95-97	—
Naphtha	170-173	+5.5

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or —	Business Done
Apr	152.25	+4.75	154.00-51.50
May	150.50	+4.75	152.00-48.75
June	147.25	+2.75	148.75-47.25
July	147.00	+1.99	147.75-47.00

Turnover: 5,456 (4,361) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or —	Business Done
Apr.	95.00	+5.00	95.00
May	95.00	+5.75	95.00

Turnover: 3 (17) lots of 100 tonnes.

Slow progress at rubber talks

NEGOTIATORS AT a UN conference on natural rubber are making slow progress towards reaching an agreement, reports Reuter.

The conference, which began Monday, is widely seen as the final effort to adopt an International Natural Rubber Agreement before the current one expires in October.

FOREIGN EXCHANGES

D-mark fears boost pound

STERLING MADE further advances, remaining at the centre of attention on the foreign exchanges yesterday. The dollar also improved, but its upward potential is likely to be limited by the US trade deficit.

Dealers regarded the Paris currency agreement as a major restraint on pushing the dollar lower against the Japanese yen and D-mark, while recent news about the West German economy has led to nervousness about the future performance of the D-mark.

News about currency fraud losses at Volkswagen followed disappointing West German Gross National Product growth figures.

Sterling remains an attractive alternative, because of high yields in London, and as an added advantage is not tied to the D-mark through the European Monetary System. North Sea oil prices rose to around $18 a barrel, and the latest row in the Labour Party about defence increased expectations of a return to government by the Conservatives in the next general election.

Sterling failed to sustain a peak of $1.6005, but closed firmer on the day, gaining 65 points to $1.5905-1.5915. The pound also rose to DM 2.9775 from DM 2.9460, the highest against the D-mark since September last year. It improved to FFr 9.9000 from DM 9.7850; to SFr 2.4975 from SFr 2.4750; and to Y244.75 from Y243.50.

Sterling's exchange rate index rose 0.6 to 72.7, the strongest since July last year.

The dollar attracted support, breaking through resistance at around DM 1.8700. It rose to DM 1.8715 from DM 1.8555; to FFr 6.2225 from FFr 6.1750; to SFr 1.5700 from SFr 1.5625; and to Y153.80 from Y153.60.

On Bank of England figures the dollar's index rose to 104.6 from 104.3.

D-MARK—Trading range against the dollar in 1986-87 is 2.4719 to 1.7870. February average 1.8254. Exchange rate index 146.2 against 139.6 six months ago.

The D-Mark lost ground to the dollar in Frankfurt, as dealers suggested the mood has changed, and the West German currency is potentially weak. This reflects fears about a weakening of the German economy, after recent disappointing GNP figures and the possibility of strikes in the engineering industry.

News that Volkswagen has made provision for a loss of DM 480m in connection with a possible currency fraud encouraged selling of German shares, and high yielding sterling assets were seen as the main beneficiaries. The pound was fixed at DM 2.9660 in Frankfurt, compared with DM 2.9480 on Tuesday. The Bundesbank did not intervene when the dollar rose slightly to DM 1.8580 from DM 1.8578 at the fixing. The US currency continued to advance in the afternoon, to finish at DM 1.8690 in Frankfurt, against DM 1.8580.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.28. Exchange rate index 209.9 against 216.3 six months ago.

The yen remained in a narrow trading range in Tokyo yesterday. Mr Satoshi Sumita, Governor of the Bank of Japan, said there is little room left for a further easing of Japanese credit policy, but this only repeated remarks made after the last cut in the central bank's discount rate.

Mr Sumita added the government should seek the best ways of using fiscal policy, against a background of expected economic stimulus, to meet recent US demands for faster growth and a reduction in the trade imbalance between Japan and the US.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0791	+1.46	+1.86	±1.5344
Danish Krone	7.85212	7.82249	−0.38	−0.02	±1.6404
German D-Mark	2.05853	2.08066	+1.08	+1.44	±1.0981
French Franc	6.90403	6.92287	+0.27	+0.63	±1.3674
Dutch Guilder	2.31943	2.34966	+1.30	+1.66	±1.5012
Irish Punt	0.768411	0.776770	+1.09	+1.45	±1.6684
Italian Lira	1483.58	1478.68	−0.33	−0.33	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar 11	Latest	Previous Close
£ Spot	1.5890-1.5900	1.5860-1.5870
1 month	0.55-0.52 pm	0.55-0.53 pm
3 months	1.41-1.37 pm	1.41-1.38 pm
12 months	4.60-4.50 pm	4.60-4.50 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Mar. 11	Previous
8.30 am	72.6	72.1
9.00 am	72.7	72.3
10.00 am	72.6	72.0
11.00 am	72.6	72.1
Noon	72.7	72.2
1.00 pm	72.7	72.1
2.00 pm	72.8	72.1
3.00 pm	72.8	72.1
4.00 pm	72.7	72.1

POUND SPOT—FORWARD AGAINST THE POUND

Mar. 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5865-1.6005	1.5905-1.5915	0.52-0.49 c pm	3.81	1.40-1.35 pm	3.46
Canada	2.1110-2.1297	2.1110-2.1120	0.60-0.50 c pm	3.27	1.48-1.33 pm	2.66
Neth'lands	3.32½-3.36½	3.35½-3.36½	1½-1¼ c pm	4.91	3⅞-3⅝ pm	4.46
Belgium	60.93-61.62	61.50-61.60	17-12 c pm	2.83	41-34 pm	2.44
Denmark	11.12¾-11.18¾	11.16½-11.17½	¼-1⅝ ore dis	−1.28	4-4¾ dis	−1.57
Ireland	1.1019-1.1130	1.1075-1.1085	0.25-0.40 p dis	−3.52	0.75-1.05 dis	−3.25
W. Germany	2.94¾-2.98¾	2.97¾-2.98¾	1¾-1½ pf pm	6.55	4½-4¼ pm	5.88
Portugal	226.49-227.50	226.50-227.40	69-154 c dis	−5.90	233-395 dis	−5.53
Spain	207.56-208.26	207.60-207.90	59-81 c dis	−4.04	185-221 dis	−3.91
Italy	2089½-2115	2114-2115	2pm-1lire dis	0.28	1pm-3 dis	−0.19
Norway	11.10½-11.14¾	11.11½-11.12½	3½-4¾ ore dis	−4.11	13-13¾ dis	−4.81
France	9.79¾-9.90½	9.89½-9.90½	2¾-1¾c pm	2.42	5-4¼ pm	1.89
Sweden	10.30½-10.33½	10.30¾-10.31¾	½-1¼ ore dis	−0.95	2⅞-2¼ dis	−0.95
Japan	243½-245½	244¼-245¼	1¼-1⅛ y pm	5.82	3⅞-3⅝ pm	5.72
Austria	20.86-20.93	20.90-20.93	10⅞-9⅝gro pm	5.88	28⅞-25⅞ pm	5.19
Switzerland	2.47¾-2.50¾	2.49¾-2.50¾	1¾-1 c pm	5.41	3⅞-3½ pm	5.61

Belgian rate is for convertible francs. Financial franc 61.75-61.85. Six-month forward dollar 2.52-2.47 c pm 12-month 4.49-4.39 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Mar. 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5855-1.6005	1.5905-1.5915	0.52-0.49c pm	3.81	1.40-1.35pm	3.46
Ireland†	1.4318-1.4420	1.4320-1.4330	0.93-0.88c pm	7.53	2.64-2.52 pm	7.16
Canada	1.3260-1.3358	1.3265-1.3275	0.07-0.10c dis	−0.76	0.30-0.35 dis	−0.97
Netherlands	2.0950-2.1130	2.1110-2.1120	0.21-0.18c pm	1.12	0.62-0.57pm	1.13
Belgium	38.40-38.80	38.65-38.75	2-3½c dis	−0.86	8-11 dis	−0.99
Denmark	6.96¾-7.03	7.01¾-7.02¼	2.55-3.25ore dis	−4.98	8.10-8.80 dis	−4.84
W. Germany	1.8535-1.8725	1.8710-1.8720	0.43-0.40pf pm	2.66	1.24-1.19 pm	2.62
Portugal	142-143	142¾-143	90-140c dis	−9.72	270-370 dis	−9.01
Spain	130.00-130.65	130.55-130.65	78-88c dis	−7.662	230-250 dis	−7.38
Italy	1316½-1329¾	1328¾-1329¾	3½-4lire dis	−3.41	11¼-12¾ dis	−3.64
Norway	6.96½-6.99¾	6.98¾-6.99¾	4.40-4.90ore dis	−8.00	14.30-14.80dis	−8.35
France	6.17-6.22½	6.22-6.22½	0.65-0.75c dis	−1.35	2.15-2.40 dis	−1.47
Sweden	6.46-6.48½	6.48-6.48½	2.50-2.80ore dis	−4.92	6.90-7.30 dis	−4.33
Japan	153.30-153.85	153.75-153.85	0.28-0.24y pm	2.03	0.90-0.85 pm	2.28
Austria	13.03-13.14½	13.14-13.14½	2.60-2.10gro pm	2.16	6.00-5.00 pm	1.68
Switzerland	1.5565-1.5705	1.5695-1.5700	0.28-0.25c pm	1.96	0.92-0.87 pm	2.30

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.80-38.90.

EURO-CURRENCY INTEREST RATES

Mar. 11	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11¼-11⅛	11¼-11⅛	10⅛-10⅛	9⅞-10	9⅞-9⅞	9⅝-9⅝
U.S. Dollar	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜	6⅜-6⅜	6⅜-6⅜	6½-6⅝
Can. Dollar	6⅛-7	6⅞-7	7-7⅛	7⅜-7⅜	7⅜-7⅜	7⅝-7⅝
D. Guilder	5⅛-5⅜	5⅜-5⅜	5⅜-5½	5⅜-5½	5⅜-5⅜	5⅜-5⅜
Sw. Franc	1⅛-1⅜	1⅛-1⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4-4⅜
Deutschmark	3⅞-3⅞	3⅞-4	3⅞-3⅞	3⅞-4	3⅞-4⅛	4⅛-4⅜
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY RATES

Mar. 11	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Mar. 10; 1.68145

CURRENCY MOVEMENTS

March 11	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Mar. 11	£	$
[illegible]	[illegible]	[illegible]
Korea (Sth)	1350.05-1362.65	851.30-858.30
Kuwait	0.44100-0.44160	0.27720-0.27740
Luxembourg	61.50-61.60	38.65-38.75
Malaysia	4.0300-4.0330	2.5310-2.5330
N. Zealand	2.8055-2.8125	1.7575-1.7605
Saudi Ar.	5.9660-5.9715	3.7500-3.7510
Singapore	3.4160-3.4215	2.1465-2.1485
S. Af. (Cm)	3.3340-3.3570	2.1010-2.1055
S. Af. (Fn)	5.8500-6.0725	3.6700-3.8095
Taiwan	55.05-55.30	34.70-34.80
U.A.E.	5.8430-5.8480	3.6725-3.6735

* Selling rate.

EXCHANGE CROSS RATES

Mar. 11	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.086	6.501	12.17	1000.	40.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.010	1.607	3.008	247.2	10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.400	0.637	1.192	98.00	3.964	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.298	0.474	0.886	72.84	2.946	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.473	0.752	1.408	115.7	4.682	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.474	0.753	1.410	115.9	4.689	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.625	2.585	4.838	397.6	16.08	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilt prices continue to rise

STERLING'S STRENGTH prompted further rises in gilt contracts in the London International Financial Futures Exchange yesterday. Demand for Government stock ensured that the latest tap stock was sold out very quickly during the morning. There were suggestions that some traders had been caught short first thing and were obliged to buy with indecent haste in order to cover positions.

Under more normal circumstances the overbought state of the market would have prompted some sort of shake out and although prices finished below the day's best, traders were anxiously keeping an eye on sterling and the possibility of further rises before next week's UK budget.

Trading volume was again high with movements subject to sudden bouts of volatility. The June price opened at 123-13 up from 122-22 and touched a high of 123-25 before closing at 123-04.

Three-month sterling deposits held on to opening gains as the market moved further towards discounting a further one point cut in base rates. The June price rose to a high of 90.79 from 90.71 at the start and finished at 90.74 up from 90.67 on Tuesday. There was a slight move off the best level of the day as the pound hesitated slightly during the afternoon. Some dealers suggested that the Bank of England may have been selling modest amounts of sterling.

Dollar based contracts were extremely quiet and lacklustre. US Treasury bonds were even non plussed by the dollar's firmer trend against the D-Mark, closing at 99-19 for June delivery compared with 99.30 at the opening and 100-07 on Tuesday night.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	11.19	12.19	0.03	0.25
114	9.36	9.35	0.08	0.41
116	7.24	7.59	0.16	1.01
118	5.41	6.28	0.33	1.34
120	4.08	5.08	1.08	2.14
122	2.52	3.56	1.44	3.00
124	1.56	2.62	2.48	4.04
126	1.11	2.09	4.03	5.15

Estimated volume total, Calls 3,050 Puts 1,946 Previous day's open int: Calls 15,526 Puts 8,558

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	7.39	6.62	0.01	0.28
94	5.43	5.22	0.05	0.52
96	3.57	3.60	0.19	1.26
98	2.26	2.49	0.50	2.15
100	1.12	1.54	1.38	3.20
102	0.32	1.11	2.58	4.41
104	0.11	0.45	4.37	6.11
106	0.03	0.26	6.29	7.56

Estimated volume total, Calls 10 Puts 46 Previous day's open int: Calls 216 Puts 221

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last April	Puts—Last March	Puts—Last April
19000	8.91	12.93	0.41	0.98
19250	6.82	10.91	0.82	1.46
19500	4.97	9.05	1.47	2.10
19750	3.44	7.38	2.44	2.93
20000	2.24	5.90	3.74	3.95
20250	1.37	4.62	5.37	5.17
20500	0.78	3.55	7.28	6.60
20750	0.42	2.66	9.42	8.21

Estimated volume total, Calls 43, Puts 0 Previous day's open int, Calls 667 Puts 582

LIFFE £/$ OPTIONS

Strike Price	Calls—Last	Puts—Last
[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls—Last	Puts—Last
[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls—Last	Puts—Last
[illegible]	[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS

Strike Price	Calls—Last	Puts—Last
[illegible]	[illegible]	[illegible]

LONDON

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 59,435

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banque Belge Ltd	10½	HFC Trust & Savings	11	Yorkshire Bank	10½
Barclays Bank	10½	● Hambros Bank	10½		
Benchmark Tst Ltd	10½	Heritable & Gen. Tst	10½		
Beneficial Trust Ltd	12	● Hill Samuel	§10½		
Berliner Bank AG	10½	C. Hoare & Co	10½		
Brit. Bk. of Mid. East	10½	Hongkong & Shangh'	10½		
● Brown Shipley	10½	Lloyds Bank	10½		
CL Bank Nederland	10½	Mase Westpac Ltd	10½		
Canada Permanent	10½	Meghraj & Sons Ltd	10½		
Cayzer Ltd	10½	Midland Bank	10½		
● Charterhouse Bank	10½	● Morgan Grenfell	10½		

† As from close of business March 10th. ● Members of the Accepting Houses Committee. * 7-day deposits 6.03%. 1-month 6.38%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.02%. Mortgage 12¼%.

MONEY MARKETS

Further decline

PRESSURE MOUNTED for another cut in base rates in the London money market yesterday. A stronger pound and a very bullish feel ahead of next week's UK budget saw the key three-month interbank rate fall to 10-9⅞ per cent from 10⅛-10 per cent on Tuesday. Foreign demand for UK Government stock also forced the pace with the recently announced tap stock being sold out early yesterday morning. Short term rates also finished on a softer note after the Bank of England gave more help than the published forecast. Overnight money finished at 5 per cent compared with an opening level of 11¼-11 per cent and a high of 11½ per cent.

Dealers were unsure about the significance of the over help but suggested that it was unlikely to be a signal on the Bank's desire to see short term rates fall to pave the way for another cut in base rates. Today sees the market facing a very large shortage which should see short term rates rise again.

UK clearing bank base lending rate 10½ per cent since March 10

Bank of England forecast a shortage of around £300m with factors affecting the market including bills maturing in official hands and the repayment of late assistance together with a take up of Treasury bills draining £483m and a rise in the note circulation of £100m. In addition banks brought forward balances £50m below target. These were partly offset by Exchequer transactions which added £335m.

The forecast was revised to a shortage of around £250m and the Bank gave assistance in the afternoon of £106m through outright purchases of £11m of eligible bank bills at 10⅝ per cent and £95m in band 2 at 10 9/16 per cent. Late help came to £240m, making a total of £346m. There was no assistance given by the authorities during the morning.

In Brussels the Belgian central bank cut its discount rate by half a point to 8 per cent, reflecting a spate of rate reductions elsewhere and also made possible by the Belgian franc's steadier performance within the EMS. In addition the rate charged to commercial banks on secured advances was cut to 8¼ per cent from 8¾ per cent. Confidence in the franc had been growing since January's realignment of EMS currencies and the central bank has been able to replenish its foreign currency holdings

In Frankfurt call money was a little easier following a net injection of DM 6.7bn through the Bundesbank's latest sale and repurchase facility. However there were signs that pressure could increase on short term liquidity levels.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar. 11) 3 months U.S. dollars bid	offer	6 months U.S. dollars bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed. funds	[illegible]	Three month	[illegible]
Fed funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	6.59
		Three year	6.74
		Four year	6.83
		Five year	7.06
		10 year	7.25
		30 year	7.55

Mar. 11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.0
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7¾
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LONDON MONEY RATES

Mar. 11	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three-months 9⅝ per cent; Bank Bills (sell): one-month 9[illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount 9.6665 p.c. ECGD Fixed Finance Scheme IV reference date [illegible] (inclusive): 10.896 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from March 1, 1987: Bank Deposit Rates for sums at seven days' notice [illegible]. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month [illegible] per cent; one-three months [illegible] per cent; three-six months [illegible] per cent; six-nine months 9 per cent; nine-12 months 9 per cent. Under £100,000 [illegible] per cent from March 6. Deposits held under Series 5-10⅞ per cent. Deposits withdrawn for cash 5 per cent.

Legal Notices

THE INSOLVENCY ACT 1986
IN THE MATTER OF
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Administration Order made
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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101¼	97½	Exch. 10½pc 1987	99	—	—	—
100	97	Funding 6½pc 85-87	99	+1/16	6.52	8.80
101½	96	Treas. 10pc 1987	100	+1/8	9.99	9.57
98	90⅞	Treas 3pc 1987	98⅝	—	3.04	7.15
104½	99½	Treas. 12pc 1987	101	+⅛	11.82	9.51
99¾	92	Treas 7¾pc 1985-88‡‡	98⅞	+1/16	7.85	9.21
104	96¼	Exch 10½pc '88	101	+⅛	10.38	9.42
102	95	Treas 9¾pc Cv '88	100	+1/32	9.71	9.34
95	86	Transport 3pc '78-88	95	+1/16	3.15	6.81
102	93	Treas. 9½pc '88	100	+1/16	9.50	9.47
107	98	Treas 11½pc 1989	103	+3/32	11.09	9.35
103½	93	Treas 9½pc Cnv 1989	100¼	+1/16	9.49	9.40
92	82	Treas 3pc 1989	92	+1/16	3.24	6.76
105	95	Treas 10½pc 1989	102	+1/32	10.27	9.34
104	94	Exch.10pc 1989	101	+1/32	9.87	9.36
107	97	Exch 11pc 1989	103	+1/32	10.61	9.51
93	84½	Treas 5pc 1986-89	93	+1/16	5.34	7.74
110	94	Exch 10¼pcCv '89	105½	+1/16	9.70	7.86
114	103	Treas 13pc 1990‡‡	109	+1/32	11.88	9.15
108	97	Exch 11pc 1990‡‡	104	+⅛	10.53	9.20
113	101	Exch. 12½pc 1990	108	+⅛	11.52	9.21
89	79	Treas. 3pc 1990	88	+1/16	3.38	7.06
100	89	Treas 8¼pc 1987-90‡‡	98	+⅛	8.39	8.85
106	93	Treas. 10pcCv 1990	102¼	+1/16	9.79	9.26
86	76½	Exch 2½pc 1990	86	+1/16	2.90	6.80
112	99	Treas 11¾pc 1991	107	+1/32	10.89	9.22
94	83	Funding 5¾pc '87-91‡‡	91	+1/16	6.27	8.16
86½	79	Treas. 3pc 1991	85	+1/16	3.50	7.04
106	95	Treas 10pc Cv '91	106¼	+1/16	9.43	8.30
110	96	Exch. 11pc 1991	106	+1/32	10.34	9.26
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	113	+⅛	11.21	9.16

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INSURANCES

LEISURE

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
128	81	♦Mooris & Crane 10p	126	—	L2.7	2.9	3.0	15.4
339	210	Morgan Crucible	331	–2	†8.5	1.5	3.8	20.7
24	15½	♦Morris (W) F.A. 20p	22	+½	—	—	—	—
194	65	Myson Grp 10p	194	+1	—	—	—	—
365	213	♦NMW Computers	305	+5	†2.65	2.6	1.9	25.0
225	27	Nash Inds	197		†6.0	3.0	2.8	17.5
‡27½	12½	Neil & Spencer 10p	18½		1.5	2.6	1.1	49.9
47	28	Newman Inds 10p	45½	–½	—	—	—	—
134	65	Noble & Lund 10p	84	–2	†0.8	1.5	2.5	34.0
168	151	Nobo Group 10p	168		0.7	4.3	1.2	27.7
65	39	Norton	52	–1	—	2.8	4.0	12.8
167	96	♦Norank Systems 5p	165	+1	1.2	2.9	3.3	14.9
381	187	Novocos	377	+15	—	—	1.3	21.2
309	49	Nu-Swift 5p	309		†9.3	2.3	3.5	17.3
£356½	£228	OCE 9pc Cnv 1987-92	£347½		†3.5	2.1	1.6	40.7
143	80	Oakwood Grp	141		09%	—	13.7	—
250	173	Office & Elect	201	–2	4.0	0.6	4.0	54.2
93	26	♦Omnitech 1p	53		8.5	2.9	6.0	8.2
36	18	♦Opmmetrics $0.01	21		—	—	—	—
929	500	Oriflame £1	920	+5	29.5	♦	4.6	♦
10	5	Ovenstone 12½c	7½	+½	—	—	—	—
153	85	♦PCT Grp 10p	150		†03.23c	1.9	13.4	5.9
£22½	£13½	PLM 'B' Sk 25	£19½	–½	03.2	—	4.4	—
255	160	♦Pacer Systems $0.01	200		024%	♦	3.2	♦
242	97	Pacific Dunlop $0.5	215		1.403.84c	4.3	1.3	18.5
78	44	♦Pacific Sales 10p	69	–1	1001.36c	2.1	2.3	21.6
578	246	Parker Knoll 'A'	577	+8	3.0	1.4	6.1	16.4
260	83	♦Parkfield Group 2p	248	–2	†12.0	3.2	3.0	15.0
53	17	♦Paxton Intl	21		†3.6	4.2	2.0	25.8
£139	£64½	Do 11pc Cv.Ln '94-02	£95½		—	—	—	7.4
617	393	Pearson	555		011%	—	102.2	—
74½	12	Peek Holdings 5p	73½	+½	†10.0	2.8	2.5	18.0
202	88	Peerless	200		—	—	—	—
660	141½	Pentland 10p	655	+10	♦16.3	2.0	4.4	(13.1)
£14	775	Photo-Me	£12½		†10.75	22.4	0.2	37.1
792	315	Pilkington Br. £1	748	–2	15.75	11.7	0.6	16.5
978	68	Do. Warrants	359	–6	F22.0	2.3	4.1	(11.8)
£567½	£293	Pitney-Bowes Cnv. Ln.	£567½	+43	—	—	—	—
96	52	Plastic Const. 10p	65		05½%	—	1.0	—
‡12	5½	Platignum 5p	11½	+1	†2.8	1.3	6.1	17.1
200	115	♦Plaxton Ind.	183		8—	—	—	19.8
146	98	♦Plumb Hldgs. 5p	146		3.08	4.1	2.4	11.1
					Rd3.0	2.3	2.9	21.3

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
99½	58	Leisure Inv 10p	98½	–½	0.36	7.4	0.6
‡112	55	Leisuretime Int 10p	86	–1	†2.3	0.9	3.8
123	91	♦Lowndes	122		u2.63	3.4	3.3
127	71	♦Magnum Dev. 50p	124		♦R3	1.3	3.0
196	145	Mecca Leisure 10p	186	–1	†4.1	1.8	3.1
220	86	♦Mount Tent Inc 20p	130	–3	2.8	4.5	3.0
‡215	130	Medminster 10p	178xd	–5	†6.25	1.9	4.9
270	114	Midsummer Leis 50p	263	–7	4.0	3.9	2.1
220	130	♦Miss World 10p	198	–4	6.0	♦	4.4
90	62	Nationwide Leisure	76		♦—	—	4.6
17	8	♦Mandle Int 20c	10		—	—	—
94	23	Omnicorp Inns NZ$0.5	55	+2	Q0.5c	8.0	0.3
294	114	Orient Ex Hts $0.125	211	–10	—	—	—
62½	23	♦Owners Abroad 3p	61		a1.8	♦	4.3
175	46	Photax (Lon.)	135		—	—	—
78	25½	♦P'dilly Radio NV 5p	73		2.0	1.4	3.9
95	25½	♦Pineapple 10p	88		—	—	—
391	280	Pleasurama 5p	361	–6	†7.5	3.6	2.9
178	136	Do. 7pcCvCmRedPf	163	–1	7%	—	6.0
157	94	Prestwich	137	–1½	†0.85	6.9	0.9
95	18	♦Radio City 'A' NV	91	–2	—	—	—
88	33	♦Radio Clyde NV	86	+1	3.5	1.6	5.7
481	322	Really Useful Grp 5p	455	–1	11.25	2.2	3.5
70½	36½	Riley Leisure 10p	60½	–1	—	—	—
250	129	Saga Hols. 20p	165	–1	4.6	2.6	3.9
355	148	Samuelson Grp 20p	175		2.4	6.5	1.9
123	69	♦Sangers Photo 10p	93	–5	♦†2.2	1.5	3.3
278	93	Sceptre 20p	218xr	+2	a4.0	3.5	4.8
451	175	Scott. TV 10p	451		†10.5	3.3	3.3
27	7	♦SelecTV 10p	18½		—	—	—
37	19	♦Spectrum 5p	21		—	—	—
310	119	Stanley Leisure	278	–5	u3.25	2.8	1.6
68	31	TSW 5p	66		2.05	2.6	4.4
319	137	♦TV-am 10p	318	+10	†5.75	2.6	2.5
‡380	144	TVS N/Vtg 10p	372		10.0	♦	3.8
188	59	♦Television Svcs 50p	77		†2.0	2.9	3.7
444	219	Thames TV	444	+6	u9.5	1.9	3.0
91	50	Tottenham Hotspur	91	+3	—	—	—
120	60	♦Trident 10p	116	–2	1.1	3.5	1.3
471	140	♦Tyne Tees TV 'A' £1	430	–2	†a10.5	2.0	3.4
151	74	Ulster TV	118		3.15	3.6	3.7
100	36	♦Wembley 5p	77		1.26	1.4	2.3

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

LONDON STOCK EXCHANGE

Gilt-edged surge as new tap is taken out at a premium but shares slip lower

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13

* New time dealings may take place from 9.00 am two business days earlier.

The UK Government bond market was in full cry yesterday as sterling surged ahead again, and the new £1bn official tap stock was taken out at a one point premium within minutes of becoming available to the marketmakers. Equities started the session well but the international blue chips were damped down by the strength of the pound, and also by the suspension by Merrill Lynch of a senior executive in the London office who faces SEC charges of insider trading.

With the pound already strong in early trading, there was a burst of activity in the gilt-edged market as the marketmakers bought out the new tap stock at £81, a £1 premium on the partly-paid offer price. Prices surged by around 1⅜ at the longer end, although gains were trimmed as the market began to digest the new stock.

The bond sector remained very firm, although business was two-way, and closed in good heart, unworried by the news of a record US trade deficit for the final quarter of last year.

Closing gains ranged to a full point at the longer end, pushing yields down to near the 9 per cent range.

In equities, oil stocks responded to crude prices moving towards $18 a barrel and there was selective buying of pharmaceuticals and banks stocks.

But the exporting stocks remained under a cloud and the sector quickly shed an early improvement. At mid-morning, when the Merrill Lynch disclosures checked progress in the international stocks, the market was 11 points down on the FT-SE scale.

Cautious trading in the second half of the session left the FT-SE index 8.3 down at 1979.4, and the FT ordinary index 15.0 lower at 1571.4.

Imperial Chemical Industries and GEC gave ground, while GKN closed sharply down after an initially uncertain reception for the trading figures. Boots remained unsettled after a meeting between the group and City analysts, and GUS "A" shares gave back some of the recent gain.

But Shell were bought again, and British Petroleum also responded to US buying. Hints that Wellcome might very shortly receive official approval in the US for its new anti-Aids drug sent the shares ahead. Glaxo also turned higher once again.

Still working on the assumption that HongKong and Shanghai will use the proceeds of its £365m rights issue to help finance another takeover bid for the Royal Bank of Scotland, speculators continued to support the latter which touched 325p before closing 6 better on balance at 324p; HK and Shanghai first bid for RBS in 1981 but had the offer referred to the Monopolies Commission. Clearing banks revived after a period of anti-climax which followed the passing of the dividend season. Lloyds and Midland, both helped to some extent by details of their respective fixed-rate mortgage packages, closed higher with the former 5 up at 497p and the latter 10 dearer at 637p. Barclays advanced 15 to 522p and NatWest hardened 2 at 604p. Discount Houses were firm again on cheaper money prospects. Cater Allen jumped 20 afresh at 408p and King and Shaxson gained 5 at 177p, while Gerrard and National appreciated 14 at 382p. Hire Purchases made good progress for the same reason with Combined Lease Finance closing 6 up at 185p and Provident Financial 17 to the good at 363p. Among merchant banks, Henry Ansbacher rose 4 to 90p in response to the better-than-expected annual results.

Composite Insurances took on an irregular appearance. Sun Alliance, scheduled to report annual results on April 1, gained 8 at 792p, but General Accident relinquished 13 at 952p. Elsewhere, hopes of a bid from the TSB continued to bolster Sun Life which moved up 7 afresh to 987p. Prudential, the lead underwriter in insuring the stricken Herald of Free Enterprise ferry, fell 14 at 879p.

Scandinavian Bank Units made a sparkling market debut; the shares, some 17 times oversubscribed at the offer price of 210p, opened at 238p and touched 246p prior to closing at 243p.

Revived bid hopes touched off speculatives buying of Vaux which emerged from a spell of inactivity to close 11 up at 594p.

Among leading Building issues, Blue Circle attracted further buying interest and touched 757p prior to closing 9 higher at 750p; Adelaide Steamship yesterday confirmed that it had sold its stake in the company. RMC continued firmly at 811p, up 12, while Rugby Portland Cement hardened a penny to 217p. Cement Roadstone advanced to 202p in response to the good annual results before easing back to close 2 higher on balance at 193p. Elsewhere, Henderson Group gained 9 to 245p, after 250p, on the announcement that Carousel Investments had acquired a 5.8 per cent stake in the company. Speculative buying lifted Stanley Miller 6 to 68p, while demand in a restricted market left Walter Lawrence 8 up at 130p.

ICI shaded to £13¼ on currency influences. Elsewhere in the Chemical sector, British Benzol revived strongly and gained 7 to 84p.

Vague rumours that a rights issue would accompany today's interim results from Next sparked off nervous selling of the shares which plummeted to 284p at one stage before closing a nervous session 12 down on balance at 286p. Other leading retailers succumbed to profit-taking after their recent strong sure in anticipation of a bumper, tax-cutting budget. Dixons fell 10 to 380p and Burton gave up 6 to 312p and Storehouse fell 9 to 311p. Gussies "A" cheapened $\frac{5}{16}$ at £13$\frac{11}{16}$. Woolworth, on the other hand, moved forward 3 to 803p, after 809p, following a broker's "buy" recommendation in the wake of the group's agreed bid for Charlie Browns Car Part Centres. Elsewhere, takeover chatter helped Body Shop soar 65 to 743p, after 753p, in a restricted market. Dealings in Allebone were resumed and the close was 4 higher at 63p ex- the rights issue. Underwoods gave up 5 more to 250p as hopes of a bid from Woolworths faded. Falls of 10 to 14 respectively were sustained by Combined English, 270p, and Freemans, 460p.

Reports of a broker's profits downgrading in the wake of a visit to the company depressed GEC which fell 6 to 216p. Thorn EMI continued to reflect a Greenwell Montagu downgrading and slipped 19 further to 609p, while British Telecom gave up a couple of pence to 246p ahead of today's third-quarter figures. BICC, however, rose 8 afresh to 337p on renewed buying ahead of the preliminary figures scheduled for March 25 and Plessey gained 3 more to 242p on further consideration of the £15m Colombian System X contract. Elsewhere in Electricals, System Designers jumped 9 to 101p as British Aerospace increased its stake in the company to 23 per cent. Lec Refrigeration jumped 16 to 296p on speculative buying and revived takeover hopes helped Holmes Protection rise 9 more to 144p.

GKN provided the main source of interest in the Engineering sector. The shares fell steadily, after a small initial improvement, to close 24 lower at 320p as the market expressed disappointment with the preliminary statement. Elsewhere, Ransomes Sims, up 17½ more at 263p, and 600 Group, 13 dearer at 144p, were sustained by further buying on bid speculation. APV, still reflecting hopes that the offer for Baker Perkins will succeed, improved 15 more to 689p. Comment on the preliminary figures prompted a rally of 10 to 415p in Thomas Robinson, but disappointing annual results caused further selling of Woodhouse and Rixson, down 7 further at 70p.

Food Manufacturers displayed a couple of bright features in Tate and Lyle and United Biscuits; the former made strong headway on a combination of domestic and overseas support to close 20 higher at 754p, while UB attracted buying interest ahead of next Wednesday's annual results and gained 9 to 273p. Demand for UB was also accompanied by talk of a broker's recommendation and a chart "buy" signal. Cadbury Schweppes were an extremely quiet market and slipped 4½ to 238p, while Hillsdown shed 10 to 271p following the annual results. The cautious statement which accompanied the interim figures clipped a couple of pence from Bejam at 177p, but details of further European and US expansion helped Christian Salvesen add 3 to 160p. Hillards, some 90p higher on Monday following an unwelcome offer from Tesco, firmed 5 to 318p; Tesco touched 490p prior to closing 7 higher at 487p.

The preliminary figures from BTR were given a good initial reception and the shares moved ahead to 350p, but profit-taking brought a close of a few pence cheaper on balance at 336p. Among other miscellaneous industrial leaders, Boots, still reflecting disappointment with the outcome of Tuesday's meeting with analysts, met with fresh selling and fell further to close 26 lower at 287p. Beecham drifted off to finish 11 cheaper at 545p, but Glaxo managed a further small improvement of ⅛ at £15$\frac{3}{8}$. Wellcome moved up 23 to 498p on suggestions that the company is near to gaining offical approval from the US authorities for its anti-Aids drug Retrovir. Norcros featured a further gain of 15 at 377p amid continuing hopes of a bid from Williams Holdings following the latter's purchase of a 2.2 per cent holding in the company. Stat-Plus were also outstanding at 560p, up 85 on good preliminary figures and a proposed two-for-one scrip issue. British Aerospace, in contrast, gave up 11 to 645p as funding fears resurfaced over new generation of Airbus airliners. J. Hewitt dipped 17 to 245p after the priliminary results, but favourable Press mention enlivened interest in Lep Group, which put on 6 to 188p. US favourite Reuters advanced 17 to 686p, while Pentland, up 10 further at 655p, responded afresh to the proposed acquisition of Avia Group International by its associate Reebok. Parker Knoll, still reflecting the recent full-year results, advanced 8 more to 577p, while comment on the annual figures left Bluebird Toys a further 7 dearer at 368p.

Television issues featured Central which gained 29 to 533p on speculation that Ladbroke may sell its 20 per cent stake to Carlton Communications. HTV advanced 20 to 278p and TV-am rose 10 to 318p.

Currency considerations again thwarted overseas interest in Jaguar, down 10 at 568p, but Rover, 62p, edged firmer despite reports that the group has sustained further heavy losses. Reliant gave up much of Monday's gain to close 5 lower at 35p. A security house "buy" signal lent support to Lucas Industries, 591p, while Distributor Godfrey Davis jumped 13 to 183p on revived speculation over T. Cowie's intentions following the recent purchase of a near-5 per cent stake. T. Cowie rebounded 17 to 400p.

Advertising Agencies paraded several features with Saatchi & Saatchi, which has received formal approval for a Paris listing, later this month, rising 19 to 671p. Gold Greenlees Trott spurted 20 to 275p and Yellowhammer, considered overdue for a re-rating, jumped 11 to 163p. Elsewhere, Barham tumbled 28 to 168p on news that the talks with a potential offeror have been terminated. Publishers were fairly quiet but light demand lifted Trinity International 20 to 650p; the annual results are scheduled for March 26.

The Property leaders, strong performers on Monday following a resurgence of institutional buying, settled a shade easier on balance in the absence of further demand, Land Securities shading to 365p and MEPC softening a couple of pence to 349p. Hammerson A slipped 5 to 480p, but Brixton Estate added 2½ to 188½p and Great Portland Estates hardened a penny to 222p. Elsewhere, Apex gained 5 to 125p on news that Randsworth Trust had increased its holding to 18.5 per cent, while Dares Estates put on 2½ to 35½p, after 36p, following the acquisition of a portfolio of properties worth some £12.9m. Scottish Metropolitan attracted good support at 102p, up 7, but A. & J. Mucklow encountered profit-taking in the wake of the interim results and closed 3½ cheaper at 131p.

Comment highlighting the group's expansion potential attracted buyers to Tipbook, up 10 at a 1986/87 peak of 395p.

Newspaper "take profits" advice in the wake of ICI's disposal of its 19 per cent shareholding unsettled Lister & Co, down 17 to 173p. S. Jerome, on the other hand, were popular and rose 9 to 168p while Yorklyde improved 5 to 250p. Irish-based Youghal picked up 1½ at 18½p.

City and Foreign prospered following reports of City lunch held by Chase Manhattan Securities and closed 23 higher at 198p. Other Investment Trusts to make headway included Channel Islands, Income, 10 up at 145p, and Moorgate, 8 better at 513p. Brint Investments further responded to its agreed offer for Tyndall-Guardian, rising to 410p before ending a net 10 firmer at 405p. Talk that marketmakers Smith New Court were enjoying buoyant trading conditions accompanied fresh demand which raised the shares 6 to 167p.

The oil majors opened strongly as crude prices edged towards $18 a barrel, but subsequent bouts of profit-taking left prices some way below the best at the close. British Petroleum were finally 4 dearer at 803p, while Shell closed ¼ higher at £11$\frac{11}{16}$. Ultramar rose 8 to 190p following the annual results and slightly better-than-expected dividend. Enterprise gained 11 to 243p in a market short of stock, while LASMO firmed 5 to 219p, after 223p. Britoil added 4 to 200p. Institutional demand boosted Carless Capel 5 to 92p, while Triton Europe put on 7 to 155p, after 160p.

The placing of 10m shares with institutional investors at 203p per share failed to disturb Polly Peck, which eased only the turn to 215p. The group intends to use the £20.3m raised to further its EEC marketing base. Lonrho ran into nervous sellers following the renewal of its offensive on House of Fraser, but steadied later to end only 2 down at 279p.

Gold shares were in better form, with firmness in the Rand offsetting an unimpressive performance by bullion prices. Among the major producers, Vaal Reefs and Western Deep stood out strongly, although turnover remained relatively modest. Dealers reported only slight interest from the US and the market ended the day quietly, still unsure of the outlook after several sessions of falling prices.

In diamonds, interest in De Beers died away as the market digested the good trading figures announced in the previous session.

Traded options

A reduced business in the traded option market saw 50,930 deals completed, comprising 41,141 calls and 9,789 puts. Boots attracted a good demand with 4,697 calls done—1,106 in the June 300s', while 3,931 calls were arranged in British Airways with 1,172 transacted in the April 120s'.

Traditional Options

- First dealings March 2
- Last dealings March 13
- Last declaration June 11
- For Settlement June 22

For rate indications see end of Unit Trust Service

Call options were taken out in Thames Mining, Benjamin Priest, Martin Ford, Newman Industries, Talbex, British Benzol, Chrysalis, Astra Industrial, 600 Group, Ultramar, Rotaprint, Silentnight, Property Trust, Helical Bar, Centrovincial Estates, Greenwich Resources, Pavion, Mitchell Cotts, Premier Consolidated, Bolton Textiles, London Securities, Regalian, Woodhouse and Rixson, Pentland Industries, Sears, Electronic Rentals, GEC, Dares Estates, J. Israel, Bowater, United Biscuits Warrants and Riley Leisure. Tricentrol were dealt in for the put, while a double option was taken out in Wellcome.

FINANCIAL TIMES STOCK INDICES

	Mar. 11	Mar. 10	Mar. 9	Mar. 6	Mar. 5	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	90.12	89.55	89.25	89.52	89.29	88.88	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.51	95.13	95.13	94.69	94.60	93.21	97.68 (7/7/86)	86.55 (29/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,571.4	1,586.4	1,576.3	1,601.4	1,602.0	1,350.7	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	324.1	322.2	329.6	338.2	346.7	322.2	346.7 (5/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.72	3.69	3.71	3.64	3.63	4.03				
Earnings Yld.%(full)	8.64	8.59	8.64	8.48	8.46	9.58				
P/E Ratio (net) (*)	14.19	14.27	14.19	14.46	14.49	12.94				
SEAQ Bargains (5 pm)	49,829	46,183	53,342	52,723	52,949	—				
Equity Turnover (£m)	1,333.91	—	1,359.62	1,837.98	1,938.98	988.46				
Equity Bargains	57,931	—	64,128	66,542	68,225	43,117				
Shares Traded (ml)	620.0	—	615.4	691.5	—	435.4				

S.E. ACTIVITY

Indices	Mar. 10	Mar. 9
Gilt Edged Bargains	208.5	181.9
Equity Bargains	375.4	415.5
Equity Value	2696.2	2748.1
5-Day Average		
Gilt Edged Bargains	192.1	182.6
Equity Bargains	396.4	400.5
Equity Value	3210.3	3230.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1588.8	1587.4	1580.7	1573.6	1573.1	1573.8	1576.8	1575.7

Day's High 1589.2. Day's Low 1570.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.67.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (185)

BRITISH FUNDS (3), AMERICANS (4), CANADIANS (1), BANKS (6), BREWERS (7), BUILDINGS (17), CHEMICALS (9), STORES (8), ELECTRICALS (17), ENGINEERING (8), FOODS (2), HOTELS (3), INDUSTRIALS (30), INSURANCE (4), LEISURE (6), MOTORS (6), NEWSPAPERS (4), PAPER (4), PROPERTY (14), SHIPPING (2), SHOES (1), TEXTILES (2) TRUSTS (32), OILS (3), PLANTATIONS (1).

NEW LOWS (4)

AMERICANS (2) Contl. Illinois Corp., Manuf. Hanover, ELECTRICALS (1) F & H Group, INDUSTRIALS (1) Dwek.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	5,200	155	−3	Ladbroke	1,000	430	+10
Allied Lyons	597	398	−2	Land Securities	2,600	365	−1
Amstrad	2,600	174	−7	Legal & Gen.	1,300	307	−6
Assoc. Brit. Foods	35	342	−1	Lloyds Bank	1,900	497	+5
BAT	1,900	510	−3	Lonrho	2,000	279	−2
BET	340	511	—	MEPC	1,200	349	−2
BOC	824	428	−5	Marks & Spncr	11,000	257	+1
BPB Inds	594	673	+3	Midland Bank	480	637	+10
BPCC	1,700	328	+10	NatWest Bank	1,200	604	+2
BTR	12,670	336	−6	Pearson	100	555	—
Barclays	3,300	522	+15	P & O	899	624	−6
Bass	585	949	−4	Pilkington Bros	940	748	−2
Beecham	2,100	545	−11	Plessey	8,600	242	+3
Blue Circle	1,100	750	+9	Prudential	338	879	−14
Boots	18,250	287	−26	Racal	6,200	258	—
Brit. Airways	20,200	118	−2	Rank Org	761	646	−5
Brit. Aero	2,000	645	−11	RHM	528	314	−1
Brit. Gas	16,000	80	−½	Reckitt & Col	188	973	−21
Britoil	11,900	200	+4	Redland	154	474	—
BP	5,700	803	+4	Reed Intl.	360	418	+3
Brit. Telecom	8,100	246	−2	Reuters	1,200	686	+17
Bunzl	798	228	−2	RMC	363	811	+12
Burton	6,500	312	−6	RTZ	2,100	724	+10
Cable & Wire	6,000	359	+1	Rowntree Mac	1,800	498	+1
Cadbury Schwps	1,000	238	−4½	Ryl Bnk of Scotland	2,400	324	+6
Coats Viyella	151	356	−3	Royal Insurance	562	984	+1
Comm. Union	6,600	325	−1	STC	5,900	250	−3
Cons. Gold	594	814	+2	Saatchi & Saatchi	960	671	+19
Cookson	157	560	−5	Sainsbury	687	476	—
Courtaulds	610	375	−8	Scott & Newcastle	1,200	246	—
Dee Corpn	4,000	228	−2	Sears	5,500	134	−8
Dixons Grp	3,600	380	−10	Sedgwick	458	320	−2
English China Clays	658	416	+7	Shell Trans	4,400	£11$\frac{11}{16}$	+¼
Fisons	2,300	616	−3	Smith & Nephew	1,500	151	—
Gen. Accident	283	952	−13	Standard Chart.	372	752	−6
Gen. Elect	11,000	216	−6	Storehouse	2,500	311	−9
Glaxo	2,200	£15⅜	+⅛	Sun Alliance	327	792	+8
Globe Investment	720	150½	—	TSB	2,900	77	—
Granada	2,100	332	−14	Tarmac	736	536	−2
Grand Met	3,448	489	−6	Tesco	3,900	487	+7
Gus "A"	759	£13$\frac{11}{16}$	−$\frac{5}{16}$	Thorn EMI	6,300	609	−19
Guardian R.E.	348	912	+7	Trafalgar House	234	333	−1
GKN	12,000	320	−26	T'house Forte	976	208½	−1½
Guinness	3,500	318	−2	Unigate	6,600	376	—
Hammerson Prop	328	480	−5	Unilever	255	£25⅛	−⅛
Hanson Trust	11,000	172	−3	United Biscuits	49	273	+9
Hawker Sidd	2,700	523	+19	Wellcome	8,300	498	+23
Hillsdown Hlgs	5,400	271	−10	Whitbread 'A'	668	337	−1
ICI	1,900	£13¼	−⅛	Willis Faber	297	425	−2
Imp. Cont. Gas	486	708	+2	Woolworth	574	803	+3
Jaguar	691	568	−10				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	107	2	4
Corporations, Dominion and Foreign Bonds	3	19	47
Industrials	508	514	517
Financial and Properties	201	115	271
Oils	37	21	54
Plantations	2	2	10
Mines	58	53	69
Others	82	68	39
Totals	998	794	1,011

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Wednesday March 11 1987

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*397)	330	75	83	93	1	3	5
	360	48	60	70	4	12	15
	390	25	40	50	15	22	27
	420	11	23	33	30	35	40

March 11, Total Contracts 50,930. Calls 41,141. Puts 9,789

FT-SE Index Calls 689 Puts 582 *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§§	F.P.	30/1	87	65	‡Avesco (Reg) 1p	86	−1	L0.5	6.6	0.8	21.9
¢215	F.P.	—	348	272	Barbour Index	346	+23	R4.0	3.1	1.6	29.3

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

DENMARK

SWEDEN

HONG KONG

ITALY

FINLAND

SWITZERLAND

FRANCE

JAPAN

SINGAPORE

NETHERLANDS

AUSTRALIA

SOUTH AFRICA

CANADA

TORONTO

Prices at 2.30pm March 11

MONTREAL

Closing prices March 10

Indices

NEW YORK

CANADA

NYSE-Consolidated 1986 Actives

TOKYO—Most Active Stocks

Wednesday, March 11, 1987

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 37

US quarterly results

INTL. COMPANY NEWS

EUROPEAN NEWS IN BRIEF

Creditanstalt raises dividend

BY OUR FINANCIAL STAFF

CREDITANSTALT, the biggest Austrian bank, is stepping up its dividend for 1986 and forecasts a further increase in payout for the current year.

On group banking profits up from Sch 354.5m ($27.3m) to Sch 496.7m for last year Creditanstalt proposes to pay a dividend of 12 per cent, against the 10 per cent for 1985.

The bank said that high investment would lead to continuing profits growth. As a result the dividend "is likely" to be raised again in 1987.

Creditanstalt, which is state controlled, attributed last year's financial progress to good profits on schilling lending plus improved services. Foreign loan business had fallen, it said.

The bank said it had been forced to increase provisions for bad loans at home and abroad. Balance sheet at the year-end stood at Sch 453bn, against Sch 425bn a year earlier.

VNU ahead 15%

VERENIGDE Nederlandse Uitgeversbedrijven (VNU), the Dutch publishing group, posted 15 per cent higher profits of Fl 75m last year compared with Fl 65.5m the year earlier thanks to printing and advertising sales.

Lower interest rates and the halt to some loss-making operations also helped to lift profits. Net income per share rose only 6 per cent to Fl 25.65 from Fl 24.16 due to an 8 per cent increase in the number of shares outstanding.

Revenue expanded 9 per cent to Fl 1.74bn from Fl 1.59bn fuelled by printing for third parties and advertising lineage in daily newspapers and magazines.

VNU, based in Haarlem, raised its 1986 dividend by Fl 0.75 to Fl 9.25 a share.

Wessanen sales fall

WESSANEN, the Dutch food processing concern, reported that its net income rose 17 per cent to Fl 72.7m ($34.8m) in 1986 from Fl 62.3m the year before despite a big fall in sales.

Net income per share rose a more modest 6 per cent to Fl 5 from Fl 4.71 due to 10 per cent more shares outstanding.

Turnover fell 12 per cent to Fl 3.7bn from Fl 4.2bn on lower raw material prices and the sharply weaker dollar. Wessanen, based in Amstelveen, has sizable activities in the US.

The company said it expected earnings per share to climb further this year.

Wessanen raised its 1986 dividend by Fl 0.09 to Fl 2.04 a share.

Kaufhof eyes Hapag

KAUFHOF, the West German retail group, is considering taking a stake in Hapag-Lloyd, the shipping and transport group. It has yet to reach a final decision. Press reports said Kaufhof wanted a stake of up to 12.5 per cent in Hapag-Lloyd.

Kaufhof noted any decision on purchasing shares in the shipping group would have to be approved by the supervisory board, due to meet today.

Late last year the Gevaert group of Belgium and West Germany's Veba each acquired a 12.5 per cent stake in Hapag-Lloyd from Deutsche Bank and Dresdner Bank.

The two banks have said they eventually want to reduce their stake in the shipping group to 15 per cent each.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 11

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20	AAR s	.50	1.6	23	293	31⅞	31⅜	31⅜	−⅛
34½	21⅞	ADT	.92	2.7	20	336	34½	34¼	34½	
38¾	21	AFG s	.12e	.3	12	393	u39⅛	38⅝	39	+¾
40¼	16¾	AGS			23	113	39⅛	38¼	38¼	−¾
15	6¾	AMCA				10	8⅝	8¼	8⅝	−⅛
9⅝	4⅞	AM Intl				883	9	8¾	8⅞	−⅛
62⅛	47¼	AMR			12	5459	58½	56¾	57⅛	−1½
13⅛	6	ARX s			13	44	11⅛	11	11	−⅛
49	28¾	ASA	2a	4.2		1094	48⅞	48	48	+⅜
17⅝	9¾	AVX		2.0		672	16⅝	16⅛	16¼	+¼
32¾	26½	AZP	2.72	8.6	10	473	31⅝	31⅝	31⅝	−⅛
63⅝	36¾	AbtLb s	.84	1.3	27	2730	62¾	61⅝	62½	+⅝
34	25	AccoWd	.62	1.9	21	30	32½	32⅛	32⅛	−⅜
14⅛	9	AcmeC	.40	3.0	25	98	13½	13¼	13¼	−¼
9	6⅛	AcmeE	.32b	4.2	26	17	7⅝	7½	7⅝	+¼
23⅞	18½	AdaEx	3.42e	15.		65	22⅝	22⅛	22⅝	+⅜
19½	11⅝	AdmMl s	.24	1.3	15	10	19⅛	19	19⅛	+⅛
21⅛	12⅛	AdvSys	.62t	2.9	17	472	u21⅝	21	21¼	+⅜
32¾	12⅞	AMD				4111	21¾	20⅝	20⅝	−¾
10⅝	5¼	Adobe				22	8⅞	8¾	8¾	
20	13¾	Adob pf	1.84	9.6		2	19¼	19¼	19¼	+¼
21⅞	16⅝	Adob pf	2.40	11.		17	21⅛	21	21	−⅛
18⅝	11½	Advest	.12a	1.0	100	446	13¼	12½	12⅝	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
Continued from Page 36										
31¼	21¾	PNH	pfD							
31¾	22	PNH	pfE			6	25¾	25¾	25¾	−¼
27¾	18⅞	PNH	pfF			114	26	26	26	
28⅞	18½	PNH	pfG			1	23¾	23¾	23¾	+¼
38⅛	30½	PSvNM	2.82	7.7	12	2	24½	24½	24½	
48¼	34⅝	PSvEG	2.96	7.1	15	426	u38¾	37⅞	38½	+¼
69½	54	PSEG	pf5.05	7.7		1371	41⅝	41⅛	41½	+⅛
26⅝	23	PSEG	pf2.17	8.5		z200	65¾	65¾	65¾	+⅛
105	96⅝	PSEG	pf2.82	9.3		1	25½	25½	25½	−⅛
3⅞	2⅝	Publick				280	103½	103½	103½	
34⅝	16½	Pueblo	.20	.9	15	42	3¼	3⅛	3⅛	
30⅞	10¼	PR Cem		.5	9	38	23	22⅝	23	+⅛
25¼	19⅝	PugetP	1.76	8.7	12	1038	28⅞	28⅝	28¾	−½
10⅝	6⅞	Pullmn	.12	1.4	21	222	20⅝	20	20⅛	−⅝
24	10½	PulteHm	.12	.7	21	827	8½	8⅜	8½	+⅛
35½	15	Purolat				616	17¼	16⅝	16⅞	−⅛
8	5	Pyro			15	191	35¼	35⅛	35⅛	−⅛
17⅞	10½	QMS			20	255	6⅝	5¼	6⅝	+⅛
50⅞	32	QuakO	s .80	1.6	17	1340	18⅞	18⅝	18½	−¼
30	23½	QuakSC	.80e	2.9	14	438	49⅝	47¾	48⅞	−⅜
8	3	Quanex				134	28½	28	28	−⅜
12½	12¼	QstVl	n			197	5¼	4⅞	5¼	+⅜
12⅝	12⅜	QstVC	n			876	12⅝	12¼	12¼	−⅛
42⅝	28⅛	Questar	1.60	4.3	16	56	12⅝	d12¼	12⅝	−⅛
40¾	22½	QkReil	.32a	.9	16	71	u42⅞	42	42¼	+½
							38⅝	38⅛	38½	+¼
R R R										
10	8⅞	RBInd	.04j	.4	18	5	9½	9½	9½	−⅛
65⅝	37	RJR	Nb1.60	2.7	16	4464	60½	58⅝	58¾	−⅝
11⅞	8⅜	RLC	.20	1.9	19	203	10½	10⅜	10⅜	−⅛
4⅝	1¾	RPC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
9⅛	4⅞	USHom				3032	7½	7¼	7½	+⅛
51½	37⅝	USLeas	.88	1.7	13	91	u52¼	51¾	52	+1⅛
28¼	19½	USShoe	.48	1.7	30	1747	28½	28¼	28⅜	+⅛
27⅞	19¾	USTob	s1.20	4.4	16	1134	u28	27⅛	27¼	
69	47¼	USWat	s3.04	5.5	11	1705	55¾	55⅛	55½	
11⅛	7½	UnStck			14	229	9⅛	8⅞	9	+⅛
11½	8½	UStck	pf1.20	12.		4	10⅞	10⅞	10⅞	
58¼	39¼	UnTech	1.40	2.6	16	4477	53½	52	53⅛	+1⅛
31¼	25	UniTel	1.92	6.2	17	7251	31¼	30½	31⅛	+⅞
57½	31⅞	UnlT	2pf7.50	3.9		3	u58	58	58	+1⅛
22⅝	16	UWR	s .92	4.6	16	127	20½	20⅛	20⅛	−¼
28½	10½	Unitrde	.20	1.4		182	14¼	13¾	14¼	+¾
17½	9⅝	Univar	.20	1.2		94	17½	17¼	17¼	−⅛
29	20	UnvFd	s .80	2.8	19	20	28⅞	28¾	28⅞	+⅛
11⅝	10⅛	UnvHRn	.33e	3.0		116	11	11	11	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, March 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hlds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 35

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Sharp swings sustained in new bid to rally

WALL STREET

Taking a roller coaster ride, Wall Street stocks swung several times yesterday between record levels and losses in moderately heavy trading, *writes Roderick Oram in New York.*

Credit markets had no news to mull over so bond prices continued to drift lower on light volume.

At 2pm the Dow Jones industrial average was off 2.53 points at 2,277.56.

At its best it had been up almost 14 points on the day but it could not break through the 2,300 level and fell back to about 13 points below its opening mark. It staged a partial recovery but failed in attempts to put on fresh gains as futures-related selling helped set the tone of the markets.

Among the blue chips, American Express fell $⅛ to $78⅛, AT & T was unchanged at $23¾, Du Pont gained $1⅛ to $109⅛, General Electric dipped $⅛ to $107, Procter and Gamble was up $½ to $92 and United Technologies gained $1 to $53.

Technical market analysts pointed to a number of unfavourable factors which indicated the fundamental lack of strength behind the market's recovery on Tuesday to record levels. The Dow Jones Transportation index, for example, failed to follow the recovery of the industrial average from sharp losses on Monday.

In addition, stock markets remained under pressure from stock index futures markets where March contracts were trading at a discount to the underlying shares.

In the takeover arena, Hughes Tool rose $½ to $12½ after its board accepted revised terms for its merger with Baker International which fell $⅜ to $18. The merger had been delayed while the two oilfield service companies met regulators' demands on certain anti-trust matters.

American Medical International fell $⅜ to $18⅞. It reportedly rejected a $22 a share takeover offer from Pesch, a closely-held Chicago company which said it was reviewing its next step.

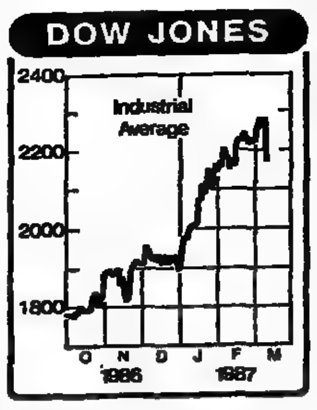
USAir lost $⅛ to $46⅝ as uncertainty mounted over whether TWA, up $⅛ to $28, would pursue its bid for the rival airline.

Southwest Airlines, a Texan-based regional carrier, said it knew no reason for the $1⅝ rise in its shares to $21⅞ on heavy volume.

Merrill Lynch slipped $⅛ to $41⅝ after one of its senior officials was accused of insider trading. Other investment dealers were generally lower. Salomon Inc. lost $⅛ to $38⅝, First Boston fell $½ to $49⅝ and A. G. Edwards, a leading regional broker, gave up $⅝ to $35 while Morgan Stanley added $⅝ to $89⅝.

J. C. Penney gained $1¼ to $97½ on an analyst's recommendation. In contrast, many other retailers were lower. Federated Department Stores fell $1⅛ to $93⅝, Sears Roebuck dipped $⅛ to $51⅛, K mart lost $½ to $60, Wal-Mart gave up $⅝ to $58⅝ and Dayton Hudson was down $⅛ to $45⅝.

DOW JONES



Home Shopping Network dropped $3⅝ to $26⅝ on heavy volume on the American Stock Exchange. The high-flying pioneer of shopping-via-television reported second quarter profits of 10 cents a share against 8 cents. Investors were disappointed recently when it failed to consumate a merger with Comb, a retailer specialising in end-of-line goods.

Johnson & Johnson added $⅝ to $90⅝. Its sugar substitute, which analysts expect to be a highly profitable product, cleared another hurdle on its way to regulatory approval.

Pharmaceutical companies were mixed. Merck fell $⅝ to $159⅛, Squibb was off $½ to $162⅝ and SmithKline Beckman slipped $⅛ to $111⅝ although Pfizer advanced $1⅛ to $74⅝.

Credit markets remained very quiet as investors continued to bide their time for fresh indications of the economy's direction.

The price of the 7.50 per cent benchmark Treasury long bond fell 3/16 of a point to 99½ at which it yielded 7.54 per cent with shorter maturities showing similar losses.

The Fed funds rate eased fractionally to 6 3/16 per cent after the Federal Reserve added liquidity to banking reserves through $2bn of customer repurchases.

CANADA

STRONG demand for oil and gold stocks countered the dampening effect of Wall Street's weakness to pull Toronto prices higher.

Oil shares were lifted as crude prices rose above $18 a barrel. Total Petroleum North American was up C$⅛ to C$29⅛, Imperial Oi class A added C$½ to C$60⅛ and Shell Canada was C$⅛ stronger at C$35⅛.

Dome Petroleum, however, shed 3 cents to C$1.09, with the company due to release details today of a plan to restructure some C$6.1bn of debt.

Montreal was narrowly firmer in most sectors.

Diana Smith charts the explosion in Portuguese trading

Frantic Lisbon catches breath

BROKERS and bank capital market departments could stand it no more. "Give us a break," they begged the Lisbon Stock Exchange Commission, "We are buried under paperwork."

The exchange complied. The Lisbon market closed between February 27 and March 10 in order to clear a huge logjam. Current structures and operators could not cope with the avalanche of new transactions that buried the Lisbon bourse.

Since mid-1986 a mixture of restored confidence in the economy, new issues and new products like unit trusts, new foreign investor interest in carefully selected paper and laborious old methods of handling transactions have changed the pace in Lisbon from sluggish to frantic.

In 1985, Lisbon had three underworked stockbrokers and a few, small and peaceful bank capital market departments dealing with modest demand for a small range of public debt paper or bonds and stocks of only 24 companies.

LISBON MARKET TURNOVER (Esc)

Year	Bonds	Stocks
1984	2.375bn	125.5m
1985	9.497bn	753.2m
1986	26.134bn	3.229bn
1987 Jan	1.15bn	1.82bn
Feb	3.52bn	2.19bn

In 1986 three new brokers were licenced but have only just begun the limited operations allowed to Portuguese brokers – intermediaries who issue or sell orders while the banking system physically holds and moves share certificates.

Observing the slow but steady growth of the Lisbon bourse after 1984, and how tax incentives for shareholders and for companies going public began to stimulate trading, Lisbon stock exchange officials whose market ultimately depends on the Finance Ministry, realised it was time to streamline operations.

Proposals to automate operations have been at the Finance Ministry for months, awaiting approval. Even if they are approved soon it would take a year or more before the banking system – due to benefit most from the proposals – gets its hardware and software ready.

Until then, certificates must shuttle from one bank safe to another as they are bought and sold, harassed bank clerks must find time to record thousands, no longer a few dozen, transactions a week. There are now 42 companies listed on the exchange. Messengers must trudge from one bank to another with bundles of certificates for transfer, and customers risk serious mistakes being made on their orders – scrip acquired instead of bearer shares, for instance, or bearer shares bought instead of nominal shares.

EUROPE

VW depresses Frankfurt

BETWEEN a sharp fall in West Germany and another record high in Belgium, most bourse trading was fairly buoyant in Europe yesterday on the firm dollar and bargain-hunting.

Frankfurt was led down steeply by selling in VW after its large currency fraud losses last year. The car group's announcement on Tuesday came as a shock to the market and made investors nervous from the start. The Commerzbank index dropped 28.3 to 1,722.2 as foreigners in VW ended DM 24.90 lower at DM 323.30 after recovering from a day's low of DM 319. The stock has lost more than 9 per cent of its value in the last two days and is just DM 11 above its 12-month low, problems at Spanish car maker Seat, in which VW holds 75 per cent, added to the downward pressure.

Other car shares followed with Daimler down DM 18 at DM 932 after dropping to DM 926, Porsche DM 20 lower at DM 850 and BMW off DM 6 at DM 481.

Banking shares were also badly hit as Deutsche Bank lost DM 10 to DM 653 and Dresdner fell back DM 6.50 to DM 331.50.

Bonds were slightly firmer in unenthusiastic trading. The Bundesbank bought DM 43.9m worth of paper in its daily market-balancing operation after buying DM 83.6m on Tuesday.

Brussels continued its bull run, given an extra boost by the Belgian discount rate cut. The Brussels Stock Exchange-index rose 49.16 to a record 4,457.16.

Amsterdam again attracted foreign buying in internationals, encouraged by the dollar's continued recovery. Royal Dutch firmed Fl 3.40 to Fl 230.50, benefitting from higher oil prices, and Philips was Fl 1 higher at Fl 50.00.

Zurich was mainly firmer but share prices finished off the session highs when selling by banks trimmed gains from overseas buying. Domestic investors remained cautious.

Paris encountered bargain-hunting after Tuesday's bout of profit-taking and shares firmed in an active session.

The dollar and Wall Street's overnight recovery boosted sentiment.

Milan was mixed to easier in fairly active trade at the end of the bourse month. Montedison was down L70 to L2,750 after Ferruzzi raised its stake in the chemicals group. Fears were expressed that the move by Ferruzzi would spark boardroom controversy.

Stockholm eased on profit-taking after its recent rally. Stora was SKr 2 lower at SKr 318 in advance of its increase in profits. Oslo advanced strongly in heavy trading on higher North Sea oil prices and lower bank rates. The all-share index rose 3.04 to 383.46, its highest since January 1986.

Madrid fell further on continued profit-taking.

French predators face tighter rules, Page 20

LONDON

THE strong pound and the suspension of a senior Merrill Lynch executive amid allegations of insider trading subdued equities after a strong start.

The FT-SE 100 index lost 8.3 at 1,979.4 and the FT Ordinary index was 15.0 down at 1,571.4.

Gilts surged ahead, with the new £1bn official tap issue taken within minutes at a 1 point premium. Details, Page 34.

SOUTH AFRICA

FLUCTUATIONS in the financial rand largely determined the fate of gold stocks in Johannesburg, leaving them mixed but off the day's lows as the rand eased by late trading.

Randfontein fell R5.00 to R380.00, Driefontein lost R1 to R68.75 and Kloof was 30 cents off at R32.60 cents off at R32.60. Vaal Reefs, however, made up R5 to close at R340.

Mining houses were also mixed Anglo American was R1 stronger at R68, but Gencor 75 cents off at R58.75 and Gold Fields of South Africa R1 weaker at R50.00.

Platinums eased, but diamond stock De Beers recovered R1 to R40.40 after losing ground on Tuesday following disappointment with the company's results.

ASIA

Steels, chemicals lead way to latest peak

TOKYO

VERY HEAVY buying pushed the Nikkei average to another record high in Tokyo yesterday, apparently based on hopes of a fresh cut in interest rates, *writes Shigeo Nishiwaki of Jiji Press.*

The issues which drew strongest buying were large-capital stocks in the steel, shipbuilding and chemical sectors and Aids related issues.

The market barometer soared 98.50 to 21,312.98, exceeding the high reached the previous day. Transactions swelled from Tuesday's 1.21bn shares to 2.13bn, topping the 2bn level for the first time since September 26, when transactions totalled 2.06bn shares. However, losses outpaced gains by 465 to 369, with 166 issues unchanged.

Market observers said there was no particular factor that induced the heavy trading other than the possibility that investors were expecting lower interest rates. They noted hints that West Germany might cut its rates following reductions by Britain and France and also pointed to a spurt in bond prices in Tokyo.

Institutional investors and businesses dealt hectically in steels, shipbuildings and chemicals. Individuals joined them, further expanding transactions. These investors sought immediate profits and stocks changed hands very rapidly, with prices fluctuating widely.

Nippon Steel topped the actives list with 357.69m shares, rising Y10 to Y310 at one stage, a gain of Y3 over its previous high. But it closed at Y307, matching the record.

Mitsubishi Heavy Industries seesawed violently between Y591 and Y623 on the second heaviest turnover of 183.70m shares, finishing Y38 up at Y615.

Sumitomo Metal Industries added Y20 to Y225, Kobe Steel Y9 to Y319 and Ishikawajima-Harima Heavy Industries Y26 to Y495.

Mitsubishi Electric, the only issue among blue chips that has stayed firm since the beginning of the week, continued to be popular and advanced Y26 to Y571.

Sumitomo Chemical, one of the leading Aids-related stocks, closed Y80 higher at Y965 on heavy buying by institutional investors after reaching Y995 briefly to come close to the unscaled Y1,000 level. Among other major chemicals, Showa Denko climbed Y19 to Y626 and Ube Industries Y28 to Y425.

Toshiba and Hitachi were Y24 up at Y680 and Y10 up at Y1,020, respectively, but other blue chips were neglected.

Bond prices soared as buying took off when Nomura Securities, a major seller for about a week, returned to purchasing. Institutional investors also increased their buying, while many dealers bought to build up inventories.

The yield on the 5.1 per cent government bond due in June 1996 slipped below 4.6 per cent to 4.595 per cent, compared with Tuesday's 4.710 per cent. But profit-taking grew at that level and the yield rose to 4.600 per cent.

Bond futures trading exceeded Y1,200bn for the first time to total Y1,221.11bn.

HONG KONG

AFTER a nervous start in which 68 points were wiped off the Hang Seng index in the first few minutes of trading, Hong Kong prices rebounded on local bargain hunting to close higher. The index finished up 20.80 at 2,780.90.

Selling of Hong Kong and Shanghai Bank led the opening decline as investors reacted to the bank's announcement of a one-for-eight rights issue. It closed 55 cents lower at HK$9.75. Elsewhere in the sector, Hang Seng Bank rose 50 cents to HK$46.75 and Bank of East Asia was steady at HK$19.60.

Evergo was the most active stock, rising 1 cent to 76 cents, with 10 per cent of its capital changing hands in advance of today's four-for-one rights issue payment.

SINGAPORE

PROFIT-TAKING and some short-covering trimmed Singapore prices back from Tuesday's record level in busy trade. The Straits Times industrial index lost 11.99 to 1,070.90 in increased turnover of 45.5m shares from Tuesday's 44.3m.

Prices firmed early on following DBS's announcement of a better-than-expected rise in profits for 1986. The news sent DBS up 50 cents to a 12-month high of S$12.50.

Blue chips bore the brunt of profit-taking by mostly local investors. Singapore Airlines slipped 10 cents to S$11.00, Sime Darby lost 6 cents to S$2.68, Singapore Press fell 10 cents to S$8.10 and Singapore Land was 60 cents lower to close at S$5.80.

AUSTRALIA

A BRIGHT opening inspired by the firm bullion price and continued speculation over a BHP takeover ran out of momentum to leave Sydney prices marginally softer. The All Ordinaries index edged 1.2 down at 1,634.2.

Gold was firm, with Central Norseman rising 20 cents to A$14.20, Kidston putting on 10 cents to A$7.30 and Renison up 10 cents to A$13.00.

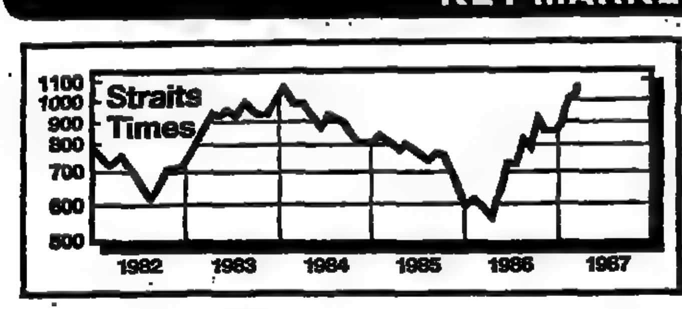
Takeover talk pushed BHP as high as A$10.90 before it closed up 10 cents at a 12-month peak of A$10.75 in trade of 2.3m shares.

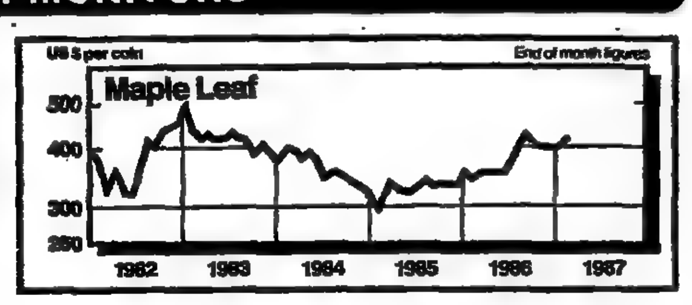
Industrials generally eased, with TNT 7 cents lower at A$4.68, Goodman Fielder down 5 cents at A$4.55, Elders 5 cents off at A$4.93 and media stock News Corp 50 cents lower at A$23.50.

Private Bloodbank continued its remorseless fall, losing A$ 1.90 to A$3.60 as its board met to discuss impending investigations into the group.

Among rare gainers, BTR Nylex added 40 cents to A$20.00 and Adelaide Steamship put on 10 cents to A$14.50.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK			
DJ Industrials	2,276.01	2,280.12	—
DJ Transport	941.74	944.77	801.52
DJ Utilities	215.97	217.76	186.81
S&P Comp.	290.61	288.30	—
LONDON FT			
Ord	1,571.4	1,576.3	1,326.8
SE 100	1,979.4	1,973.7	1,572.2
A All-share	987.25	983.81	776.85
A 500	1,101.38	1,099.32	—
Gold mines	324.1	329.6	—
A Long gilt	9.17	9.39	—
TOKYO			
Nikkei	—	21,198.4	14,068.5
Tokyo SE	—	1,821.45	1,129.39
AUSTRALIA			
All Ord.	1,634.2	1,640.9	1,083.1
Metals & Mins.	788.6	800.9	509.5
AUSTRIA			
Credit Aktien	204.59	204.28	—
BELGIAN SE	4,457.16	4,357.78	3,310.46
CANADA			
Toronto			
Met.& Mins.	2,524.4	2,533.8	—
Composite	3,621.2	3,611.4	2,928.3
Montreal			
Portfolio	1,806.76	1,809.07	1,491.28
DENMARK SE	—	199.01	234.10
FRANCE			
CAC Gen	440.20	443.00	311.6
Ind. Tendance	112.00	112.80	74.9
WEST GERMANY			
FAZ-Aktien	588.86	592.75	681.13
Commerzbank	1,722.20	1,755.70	2,083.3
HONG KONG Hang Seng	—	2,880.36	1,667.87
ITALY Banca Comm.	679.86	678.75	592.84
NETHERLANDS ANP CBS			
Gen	271.70	269.70	254.1
Ind	252.20	250.80	246.6
NORWAY Oslo SE	407.04	387.91	350.72
SINGAPORE Straits Times	1,070.90	1,077.20	607.72
SOUTH AFRICA JSE			
Golds	—	—	1,199.7
Industrials	—	—	1,151.6
SPAIN Madrid SE	232.48	240.79	135.58
SWEDEN J & P	2,509.84	—	1,934.72
SWITZERLAND Swiss Bank Ind	—	—	578.7
WORLD MS Cap. Int'l March 10	419.00	419.2	295.1

COMMODITIES (London)

	March 11	Prev
Silver (spot)	—	254.39p
Copper (cash)	900.5	£892.50
Coffee (May)	1,339.00	£1,310.00
Oil (Brent)	17.90	$17.65

GOLD ($/oz)

	March 10	Prev
London	$407.25	$404.50
Zürich	$407.45	$404.75
Paris (fixing)	$407.83	$407.21
Luxembourg	$407.35	$405.50
New York (April)	$408.30	$408.50

CURRENCIES (London)

	US DOLLAR Mar 11	US DOLLAR Previous	STERLING Mar 11	STERLING Previous
$	—	—	1.5910	1.5880
DM	1.8715	1.8550	2.98	2.945
Yen	153.8	153.8	246.0	244.25
FFr	6.22	6.1725	9.90	9.8025
SFr	1.5686	1.5650	2.50	2.485
Fl	2.1115	2.0980	3.36	3.3275
Lira	1.329	1.318	2.114½	2.093
BFr	38.7	38.45	61.55	61.05
C$	1.3270	1.3345	2.1115	2.1185

INTEREST RATES

Euro-currencies (3-month offered rate)	Mar 11	Prev
£	—	10⅝
SFr	—	4⅜
DM	—	4 7/16
FFr	—	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6 9/16	6⅝
6-month US$	6 9/16	6⅝
US Fed Funds	6⅛ *	6 3/16
US 3-month CDs	6.10 *	6.05
US 3-month T-bills	5.675*	5.625

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100% Mar 11				
March	101-01	101-11	101-25	101-05
US Treasury Bills (IMM) $1m points of 100%				
March	94.30	94.32	94.30	94.34
Certificates of Deposit (IMM) $1m points of 100%				
March	—	—	—	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.52	93.48	93.47	93.52
20-year National Gilt £50,000 32nds of 100%				
March	122-26	123-12	123-05	122-13

US BONDS

Treasury

	March 11 Price	March 11 Yield	Prev Price	Prev Yield
6⅜ 1989	99 27/32	6.4360	99 29/32	6.419
7¼ 1993	99 27/32	7.029	99 29/32	7.012
7¼ 1996	100 3/32	7.229	100 5/32	7.22
7½ 2016	99 25/32	7.526	99 29/32	7.524

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index March 10	Day's change	Yield	Day's change
1–30	153.17	+0.23	6.93	−0.03
1–10	164.65	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.56	+0.59	7.76	−0.03

Source: Merrill Lynch

Corporate

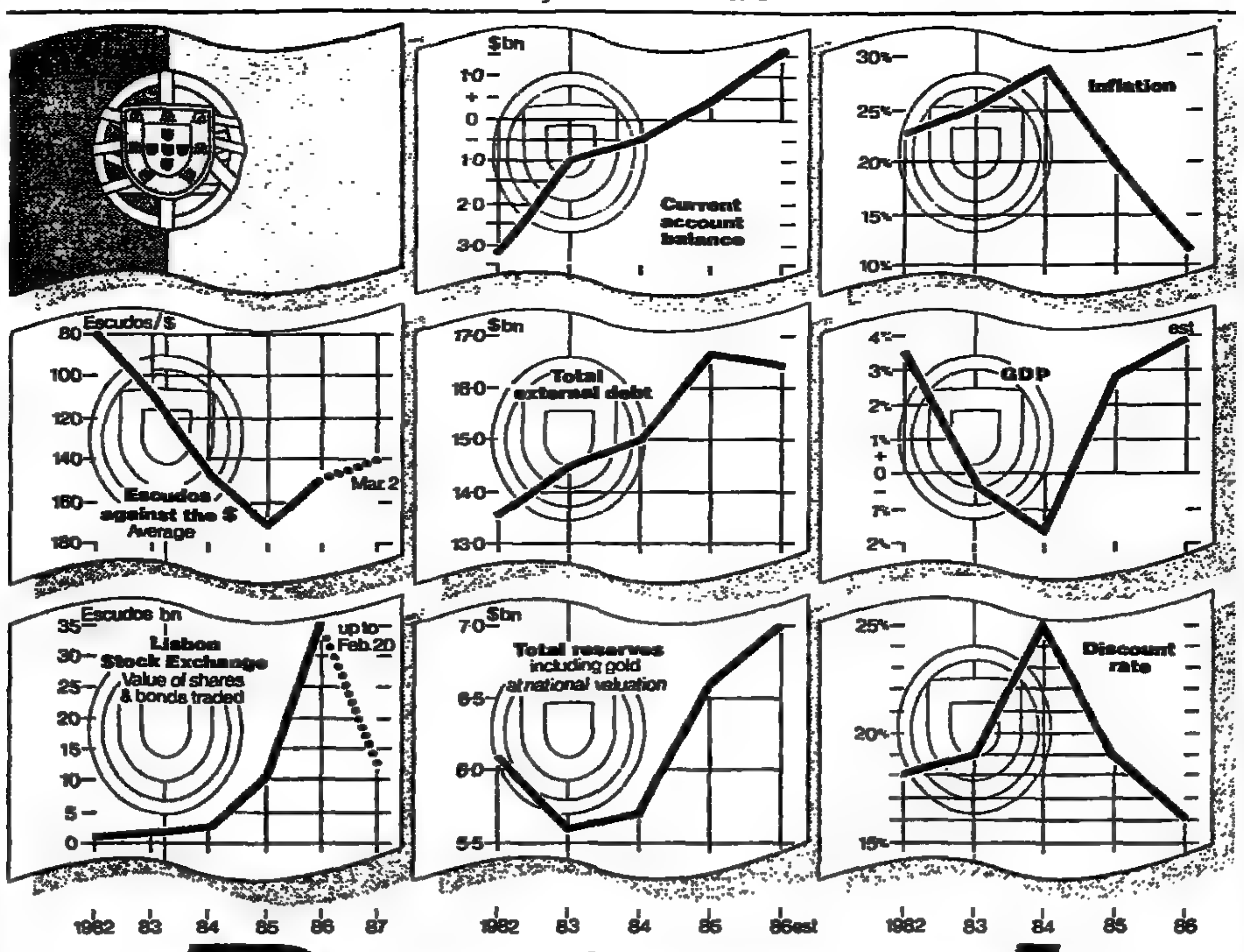
	March 11 Price	March 11 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	93.74	6.00	93.89	6.05
SCBT South Central 10⅞ Jan 1993	105⅝	9.70	105.25	9.70
Phibro Sal 8 April 1996	99⅝	8.04	99.75	8.04
TRW 8⅞ March 1996	103⅝	8.19	103.97	8.11
Arco 9⅞ March 2016	112⅝	8.69	112.75	8.66
General Motors 8⅜ April 2016	94⅝	8.84	94.75	8.82
Citicorp 9⅜ March 2016	100⅝	9.34	100.625	9.27

Source: Salomon Brothers

* Latest available figures

FINANCIAL TIMES SURVEY

Thursday March 12 1987



Portugal

Banking and Finance

CONTENTS

statistics: Lloyds Bank

The Portuguese have gained a new sense of belonging to the outside world as a result of joining the EEC just over 12 months ago. A more invigorating and challenging marketplace for the financial world and industry has instilled a greater self-confidence all round.

Medicine turns into vital tonic

FOR PORTUGUESE businessmen joining the EEC on January 1 1986 had all the attractions of nasty but necessary medicine. They feared the Community tonic—unrestricted competition—would not only taste bitter but cause acute indigestion.

Yet to the surprise of doomwatchers who predicted that entry into Europe would instantly rend the fabric of Portuguese society, bring ruin to local industry and havoc to the external account, the tonic tasted not bad at all, and after 14 months of formal membership and 12 of customs membership, the body Portuguese has begun to grow stronger, lose some of its flabbiness and function more effectively.

The phenomenon has two sides: physical and psychological. On the physical side, entry provides new funds, new chances for the administration and individuals to carry out projects that have gathered dust on the shelves for years because of lack of money. It has also meant more political, technical and commercial information, a unique chance to defend Portuguese interests in a ruthlessly-competitive, self-protective forum, and new opportunities to place suitable products not just with Europe's 300m consumers but also in Third Country markets where the cachet of EEC membership gives new dimension to a Portuguese product.

The other side is the psychological prod to faltering self-confidence, a death blow to an age-old sense of isolation from the mainstream which has had, as its corollary, a belief in many walks of life that it does not much matter how something is done, even badly, because no one important will notice. It gives a new sense of belonging to a larger, relentlessly-demanding world.

"Now we are European," is not merely a statement of fact it comes close to a declaration of faith in a country which almost to zero hour never quite believed accession would happen.

Now that it has happened there is no more excuse for shoulder-shrugging or the self-deprecating pessimism that lurks just beneath the surface of the Portuguese psyche. The first year of Europe did not mangle exports and inflate imports as predicted. Quite the contrary—exports, notably to EEC/Efta markets, grew by 27 per cent in dollar terms to a record level of $8.53bn.

Imports also grew, by 20 per cent to $8.43bn, but this was not only because German, Spanish, French, Italian or British manufacturers rushed across freer frontiers. A newly-confident Portuguese economy shook off its lethargy: real wages improved by 4 per cent and unemployment, reflecting 8.5 per cent growth in industrial investment, slid for the first time in years below 10 per cent.

Middle-class consumers began to spend enthusiastically again—too enthusiastically for the authorities' liking: private consumption rose by a heated 7 per cent fuelled by 17.7 per cent growth in volume of vehicle purchases and similar growth in purchases of durable consumer goods.

Stuck with a debt-ridden public sector difficult to prune until the constitution is amended, perhaps in 1988, and the famous "conquests of the 1975 revolution" (untouchable nationalisations) are deleted, the Government of Professor Anibal Cavaco Silva, now in its second year of minority life, has tinkered here and retouched there, cut unwarranted public borrowing or spending where possible and rationalised where feasible while waiting for tools that allow radical surgery.

The 12-year-old public sector had resulted in a $23.6bn accumulated public debt and a state deficit amounting to 13 per cent of GDP in 1985, but reduced to 9 per cent in 1986.

Were minority public sector holdings to be put on the market (a possibility but not sure probability while the majority parliamentary opposition keeps up its zealous barriers to major changes in the nationalised sector), about $1.5bn worth of shares would be released—an interesting solution for the current shortage of paper on the capital market.

Relations between a government whose leader has no fear of confrontation and has often seemed to relish an opportunity for abrasion and tension, and an Opposition that occupies 67 per cent of seats in parliament, stirs constant speculation over snap elections before the 1989 end of Mr Cavaco Silva's mandate.

With an eye on polls that give the Prime Minister high marks and his Government 50-50 marks, advocates of an early general election are sure it would increase the Social Democrats' share of the vote from its 1985 32 per cent to 40 per cent or more.

This would allow the Administration, with help from the small Christian Democrat Party to activate reforms bogged down in parliamentary resistance.

Whether even the popular, pugnacious and highly self-assured Mr Cavaco Silva could whip voters into enough of a fervour to win an absolute majority in a snap election is doubtful, however.

The Portuguese are getting used to the absence of elections or threat of elections—a welcome respite in a land of almost as many elections as public holidays.

It is not up to Mr Cavaco Silva but to the President of the Republic Mario Soares to call elections. Mr Soares, basking in popularity and full of bonhomie, is noticeably loath to muddy the political waters and unless Mr Cavaco Silva can prove that Parliament is so obstructive that governing is not merely difficult but downright impossible, he may be unable to try for his much-desired majority until the due date in 1989.

In this mild, damp winter where things political and economic are not as bad as they were and are often a great deal better, competition between Portugal and her European partners, between old and new institutions and between a younger more enterprising generation and less-adventurous elders has made Portugal a more challenging place to work in for banker, broker, businessman, industrialist or merchant.

Results of the pioneer years of new banks, investment and leasing companies give the lie to those who claimed the market was too tiny for new arrivals: demand is expanding to take advantage of diversified supply.

Old habits do not die in a day. Many new products created so as to diversify and energise the market, have attracted cartels, a rearguard action bred by the old regime's "law of industrial conditioning" that officially encouraged established businesses to seal off their sector from intruders.

The difference between 1986 and 1966 is that cartels crumble fast nowadays. After several embarrassing bouts of being outwitted by sophisticated, determined newcomers, the cartel-minded are being taught uncomfortable lessons.

Pessimists and gamblers believed that rapid growth of the capital markets (250 per cent more trading in 1986 than in 1984-85) meant a return to wildly-illegal off-market trading of pre-1974. Not so. The beat is on the market but new regulations and the shade from the EEC umbrella keep it inside acceptable bounds.

A capitalist, small, medium and even large, is no longer persona non grata in Portugal. Lack of fear of being seen to make, save and earn money boosts the market: the problem now is to bring supply abreast with demand.

Pessimists believed that Portuguese businessmen and farmers would not have enough drive to want to raise themselves up to higher EEC standards. The 900 investment projects already submitted by farmers' community money demonstrate that while many small farmers may still be timid, others are raising their sights and showing a will to succeed in a new farming environment. Hundreds of others feel irritated because they cannot find government agricultural agents in their district to teach them how to stitch togther a project to attract EEC investment.

Small and medium businesses even before EEC accession, began drawing on global loans and facilities channelled by Brussels and the European Investment Bank through Portuguese credit institutions: they are modernising equipment, re-training employees, looking for more exports and beginning to show signs of relishing demands on their creativity and energies that seemed impossible half a decade ago.

The population has begun to notice that belonging to Europe does something for the digestion: bread may no longer be touched by bakery attendants' bare hands. Packaged food labels list all ingredients.

And the place is full of Spaniards sightseeing, shopping, searching for businesses, obliging the Portuguese to abandon 600 years of suspicion of "nuestros hermanos" and accept that the two nations are in the EEC together and need each other.

Spanish goods, or multinationals' Spanish-made cars, appliances and paper towels have begun to fill shops and supermarkets. That might be bad for Portuguese industry were it not that Portuguese goods are doing better in Spain.

Europe, it seems, even makes not very good neighbours try each other's wares and even sample each other's language. The sound of a Portuguese struggling to speak Spanish and a Spaniard struggling even harder to speak Portuguese is music and a dramatic and occasionally hilarious reminder that where there's no more chill there's an ole.

Diana Smith

Domestic banks

The year of the small bank

YEARS AGO the location was a wonderfully-dowdy old drapers' shop with bare wooden floors, wheezy attendants and piles of goods waiting to be run up into neat little frocks by a local dressmaker.

Not today. The old building on the corner of the Rua Augusta in downtown Lisbon now houses dazzling high technology equipment, ultra-modern security devices and gaggles of smartly-suited young men steering suitably-impressed clients through the intracacies not of poplin or paisley wool but of personal financial services ministered at speed and with aggressively-competitive thoroughness.

The Lisbon executive offices and downtown branch of the Banco Comercial Portugues bustle even after official bank closing hours. That is what the nine-month-old bank is about: keeping on the move, opening branches (seven to date including one in flower-decked Madeira), grabbing a growing share (4 per cent so far) of its target market, the Portugues version of young urban or upwardly mobile professional—yuppies—is making money and aspiring to more.

Banco Comercial Portugues (BCP) is at the moment, the largest of the new privately-owned banks that began stepping jauntily onto the sparsely-crowded Portuguese banking stage in spring 1986. The bank, now owned by 200 prominent businessmen largely from the industrial north—who may not be averse to going public at some future date, started with a capital of Es 3.5bn ($24.5m) that was more than double the then legal minimum requirement. Its capital this month rises to Es 5.5bn, more than double the revised legal minimum requirement of Es 2.5bn.

As the capital grows so does the number of branches—at least on paper. In practice, the BCP's near-future target of 24 branches may have to wait while the authorities make up their minds to let all participants in the banking system expand according to their, not the Government's; customer demand.

BCP may have more capital, branches and assets (Es 23bn the end of December 1986) than its other new Portuguese rivals but the other two new private commercial banks, Banco de Comercio e Industria (BCI) and Banco Internacional de Credito (BIC), are trying no less hard to carve a chunk for themselves of the same high-stepping professional and small/medium solid business market.

BIC, with two outlets in Oporto and Lisbon, is the new bank of the old Espirito Santo family who were dispossessed of their assets and their solid commercial bank, the Banco Espirito Santo e Comercial de Lisboa, by the 1975 revolution. The family forgave, and returned to their homeland to do banking and other business after temporary exile in Europe and Brazil.

After seven months of activity the bank declared assets of Es 16bn and loans of Es 11bn by the end of the year. The family has also acquired an investment company and through its Brazilian venture has opened an insurance company in Lisbon.

BCI, cosily installed in Lisbon near the Hotel Sheraton and might be called the "small is beautiful" bank, with an Oporto headquarters like the other two newcomers, and Lisbon executive office and branch, it had capital of Es 2.5bn, deposits of Es 4.5bn, total assets of Es 11.5bn and a cash flow of Es 200m at the end of 1986.

The bank concentrates heavily on cash management for small/medium businesses and assiduous personal service for bright young professionals and is not at all displeased with its first six months of operations.

In the new banks, good customers with high average balances get not only graduated interest on current accounts, they get prestige debit cards backed by Visa or Mastercard that permit lavish spending at home or abroad. Gold Card spending abroad for a Portuguese citizen is a welcome novelty to clamp down on foreign exchange resources, the 1975 revolutionary authorities blocked use of Portuguese-issued visa or other debit cards abroad. The restrictions disappeared only recently.

BCI's cousin-bank the BPI (Banco Portuguese de Investimentos)—the first new bank to appear when liberalisation began in 1984—has strengthened as an investment bank specialising in medium-term lending, lucrative capital market operations and equity-taking in new or expanding ventures, and become the first new bank listed on the stock exchange to whose growth BPI and a handful of dynamic investment companies have contributed vitally.

The presence of four new Portuguese rivals which offer a wide range of services and are blatant about chasing good customers to a point where even bank chairmen go from office to office, briefcase in hand drumming up business, has been a powerful tonic for the eight nationalised banks. Most have responded positively not to say dynamically to a challenge most dreaded and some hoped might be waved away by some magic wand.

Customers have benefited from the shake-up. Queues are shortening, facilities and services growing, interest rates looking more attractive and red tape shrinking.

Life is no picnic for nationalised banks that carry a burden of overmanning and bad debts of Es 400bn ($2.8bn) but the strong are getting stronger;

Special credit institutions
Caixa Geral de Depositos (National savings bank)
Banco de Fomento Nacional (National development bank)
Credito Predial Portugues (building credit)
Montepio Geral (mutual society)
Nationalised Commercial Banks (as nationalised 1975)
Banco Portugues do Atlantico
Banco Pinto Sottomayor
Banco Espirito Santo e Comercial de Lisboa
Banco Totta e Acores
Banco Nacional Ultramarino
Banco Fonsecas e Burnay
Banco Borges e Irmao
Banco Comercial dos Acores
Commercial bank in which state holds majority and public sector companies hold minority
Uniao de Bancos Portugueses (status altered 1986)
New private Portuguese commercial banks (Started operations 1986)
Banco Comercial Portugues
Banco Internacional de Credito
Banco de Comercio e Industria

Banco Portuguese do Atlantico, the largest nationalised bank had assets of $5.5bn in December 1985, Banco Espirito Santo e Comercial de Lisboa (1985 assets $2.45bn and the most profitable nationalised bank), and Banco Pinto Sottomayor (1985 assets of $4.75bn).

They jostle aggressively for positions in new ventures and new products and work to cut overmanning, as do all nationalised banks, pensioning off older staff and recruiting specialists.

The sharpest turnaround from a long stretch in the red to a step into the black by December 1986 was made by Banco Totta e Acores, burdened at the time of nationalisation with the welfare system of its former owners the conglomerate-holding de Mello family. Totta doubled its capital, divesting unprofitable holdings and real estate, took care with its lending and bounced into gold cards, automation and financial management with such a vengeance it began to look like a private not a public sector bank.

Three nationalised banks—Nacional Ultramarino that carries the burden of the former colonies more than any other institution; Fonsecas e Burnay and Borges Irmao—are fighting to improve their situation but still need cosmetic work done on their end of year results. The arrival of tough Portuguese and foreign competition has made the uphill going even more difficult, and full liberalisation of European Community right of establishment in 1992 will make it no easier.

An experiment is underway with the smallest nationalised bank, Uniao de Bancos Portugueses, transformed in 1986 into a publicly-limited company with 51 per cent held by the state and the remainder by public sector enterprises (insurance companies and industrial concerns).

The idea is in principle to make the bank's performance more competitive and flexible. Time will tell whether similar experiments will be tried on other small nationalised banks.

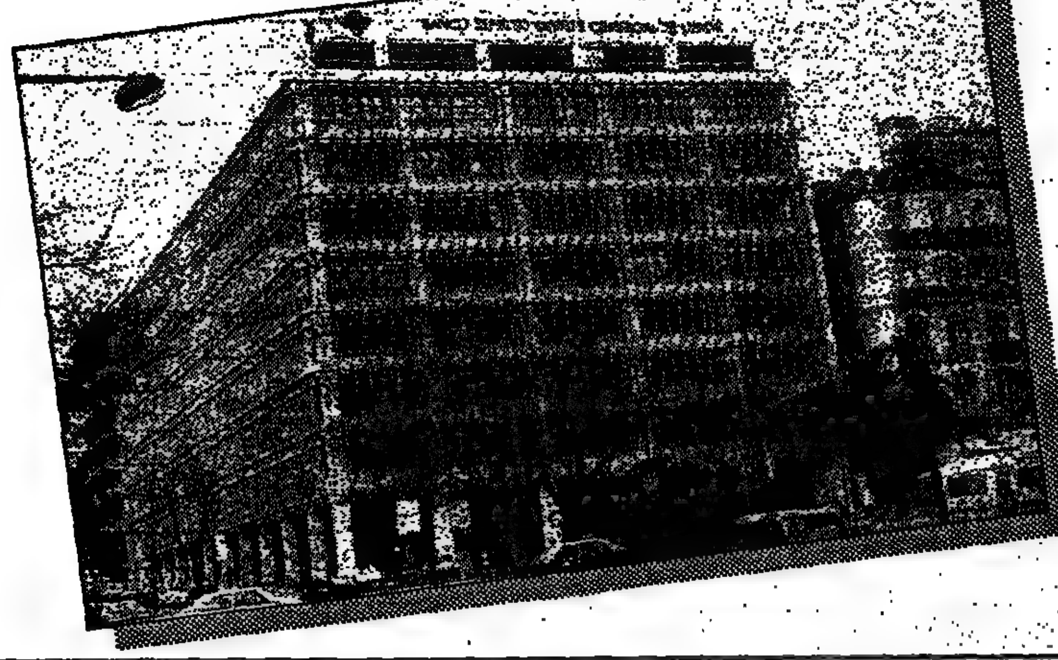
Last year was the year of the small bank in Portugal. And its echos, reverberating through the system, on the whole make the tills ring more merrily and computers buzz more productively.

Diana Smith

The top four banks

Rank	World Rank		Assets $m	Capital $m	Pre-tax profits $m	Pre-tax profits on assets % Rank	85	84	Capital/assets ratio % Rank	85	84	Pre-tax profits per employee Rank	$
1	251	Caixa Geral de Depositos	8,280	281	76	1	1.05	1.05	1	3.40	3.79	1	7,711
2	364	Banco Portugues do Atlantico	5,097	57	8	4	0.18	0.20	4	1.12	1.20	3	1,331
3	416	Pinto e Sotto Mayor	4,330	51	7	3	0.18	0.19	3	1.18	1.37	4	961
4	472	Espirito Santo e Comercial	3,551	60	9	2	0.28	0.06	2	1.69	1.78	2	1,400

Source: The Banker



Foreign banks

Search for more elbow room

ON ONE SIDE of Lisbon's Avenida da Liberdade, bright red posters evoke the ties of friendshp between the Portuguese and Soviet Communist Parties. There, nothing has changed in the last 10 years. But across the road something has happened.

Across the top of one of the most prominent, miraculously poster-free new buildings, is emblazoned the name of Banque Nationale de Paris. Further up the avenue, Lloyds Bank is putting up new offices, already inaugurated by the Prince of Wales ahead of completion.

Since late 1984 the number of fully active foreign banks, restricted for a decade to the three that were present during the Salazar and Caetano dictatorships, has expanded to nine. Portugal is one of the last countries in Europe to have opened up its banking market. It was five years after Spain in letting new banks establish branches.

The impact, in terms of innovation, the development of new markets, and competition for corporate lending, has been like the invigorating buffeting of an Atlantic gale.

Despite the limits remaining in force until 1992 under the terms of Portugal's transitional arrangements in the EEC, foreign banks are estimated already to have built up a market share of about 5 per cent. The country is still not over-populated with banks—in the 1870s it had a total of 39, which remans unequalled—but the change has been quite a shock to the system.

After strong initial profits by foreign and new Portuguese private-sector banks, the authorities stepped in last year to stem the inflow by raising the minimum capital requirement for a bank by two-thirds, from Es 1.5bn to Es 2.5bn ($17.6m).

The new European and US banks, which have until June this year to meet the new requirement, were outraged. Not only did the game in Portugal require being careful with the referee, but the rules were liable to be altered at any moment.

Evidently, the Government had not reckoned with the ferocity of the reaction. In the view of one foreign banker, this in itself produced a positive result: "at least it made the authorities more disposed to talk with the banking sector."

The three original foreign banks, which were able to stay on through the 1975 nationalisations, are Credit Franco-Portugais (part of the Credit Lyonnais group, and still the biggest of Portugal's foreign banks), Lloyds (formerly in the guise of Bank of London and South America), and Banco do Brasil, a less active operation dating from the early 1970s.

Under the 1984 liberalisation, these have been joined by Manufacturers Hanover, Chase Manhattan, Citibank, Barclays, BNP and Belgium's Société Genérale de Banque, which have all set up full branch operations.

At least five more are on the waiting list: Paribas and Indosuez of France, Banco Exterior and Banco Central of Spain, and Bank of Credit and Commerce International. The Spanish banks, which are up against a deeply-rooted Portuguese phobia (Credit Lyonnais can be considered daring to have put a Spanish national at the head of its Portuguese operation), seem to be resigned to having to bide their time. Despite a sharp increase in trade in both directions since they joined the EEC, neither of

Continued on Page 3

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Capital/Money markets

New instruments revitalise sector

MONDAY IS vacuuming, polishing and pause-for-thought day on the Lisbon stock market. The vaulted ceilings of the 18th century home of the exchange, a few feet from the river Tagus, echo to nothing more exciting than the murmur of the elderly, motherly receptionist in a black bombazine overall as she announces a visitor on her incongruously-modern digital intercom.

Upstairs where Mr Carlos Rosa the chairman of the stock exchange and 18 staff coexist in a few cramped rooms stacked with loose leaf binders and ultra-high-tech hardware, the air is redolent with old-fashioned furniture wax. Everything is so serene on this day of market rest that it is hard to believe Portugal's capital markets have grown so hectically in the past two years that officials, brokers, bank capital market departments and other institutions involved in the market have to work flat out, even going without the sacred Portuguese lunch, to keep pace with demand.

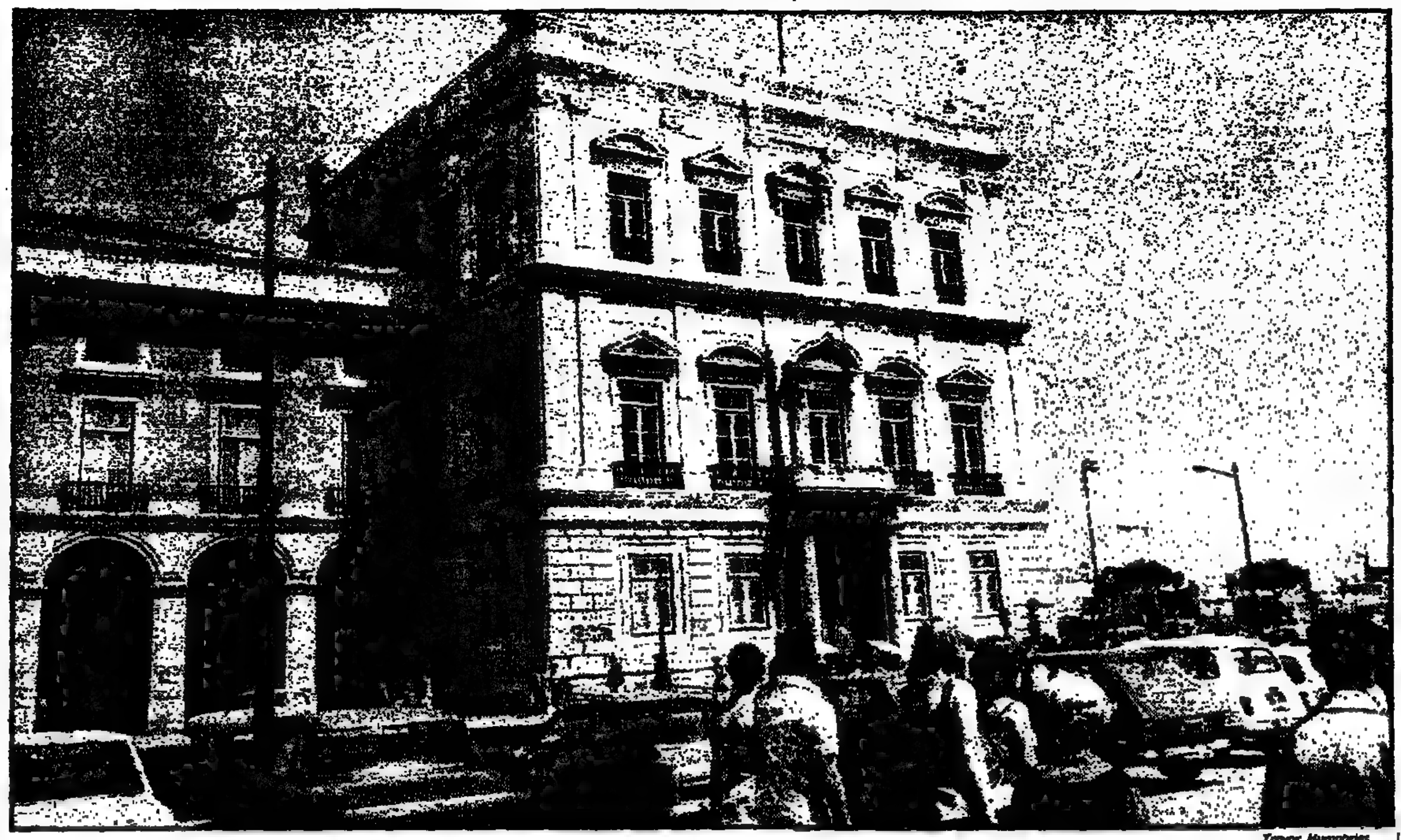
For Mr Carlos Rosa, bespectacled, cheerful, chain-smoking and eager to move office from tight old quarters to new downtown premises, where it will be less easy to trip over cables, chairs or tables, today's capital market consolidation and boom marks 13 years of hard work.

He came in as a finance ministry inspector in 1976 when speculation was so out of hand that illicit 'dealers' were selling shares that were not worth the paper they were printed on from cars parked outside the exchange.

He stayed as chairman to resuscitate, regulate and modernise the market after the left-wing revolution briefly closed it down. He has steered a patient course through public indifference in the first five years of re-opening when the few shares that were not nationalised attracted hardly any takers and government paper was sluggish. He saw the start of cautious tax incentives to enterprises issuing medium-term bonds or to companies going public and then widened to bond or shareholders early in the 1980s. Last year demand began to soar and supply to grow more strongly.

Nowadays the Lisbon stock exchange, known as the Bolsa, hands out glossy brochures that explain how the market works. Holding shares or bonds is no longer a gambler's prerogative; companies are learning the benefits of going public. With 18 new companies listed on the official exchange in 1986 and 40 on the Unlisted Securities Exchange (several likely to ascend to the official exchange in due course) the man in the street is beginning to appreciate the value of being a mini-capitalist.

There can be no surer sign of the demise of the revolutionary mentality that made share ownership and the capital market a not very clean way of life than the recent share distribution in the once aggressivly-militant factory town of Barreiro across the river from Lisbon, where all but two of several hundred workers accepted the management's offer of shares in Fisipe, a textile company.



Trevor Humphries

Lisbon's Stock Exchange: enjoying a resurgence under careful new management

The resurgence of the stock exchange under careful new management that cannot totally prevent speculation in a country where there are no set rules to stamp out insider trading and where everyone in business has a useful friend somewhere, has to do with the reawakening of Portugal's dormant economic energies helped along by the appearance since 1981 of institutions specialising in capital market operations.

The investment companies, the new private banks, new branches of major foreign banks and revitalisation of existing foreign banks, are all eager to attract and keep clients through packages of services and facilities that they could not offer without a reborn capital market.

Today an operator can choose between public or private bond issues, public debt paper, listed or unlisted shares or scrip participation bonds—the part-bond part-equity hybrid—to which public sector companies and institutions are resorting with greater frequency as a means of raising funds and discreetly diversifying their capital, and mutual funds.

International capital market operators and institutional investors for whom a few years ago Portugal was one of the markets they were least likely to visit, now brave sticky bureaucracy and local brokerage in order to take positions in carefully-selected shares; mostly new issues with solid price-earnings ratios, dividend and growth potential.

To keep their place they have to use their telephone, telex and persuasive powers more intensively than they might have to on other international markets. Standing instructions do not work automatically in Portugal, especially with trading at a hectic state when brokers and dealers can barely keep up with the needs of the man on the spot, let alone the man 1,000, 3,000 or 5,000 miles away. But everyone is learning, and by the time the next batch of new issues comes along later in spring—perhaps 15 or 20 new stocks, the foreigners may get in faster.

Those issues will not be enough. The market desperately needs more paper—quality paper that will attract solid investors who have begun to look upon the exchange as a serious investment opportunity. That changed perception is a healthy development for Portugal. It accompanies growing confidence in the efficiency and probity of the banking system and confidence in the country's new role as an EEC member.

As part of the financial system under the EEC aegis Portugal's capital markets will soon be incorporating all present and future EEC capital market directives—a sort of good house keeping seal for those who operate there. **Diana Smith**

Search for more elbow room

Continued from Page 2

the two Iberian countries has bank branches authorised in the other.

Foreign banks have their elbow-room somewhat limited. The problem of being cramped by the system of credit ceilings was eased last year when the authorities enabled them to increase their calculation base by bringing in external resources through swap facilities up to twice their capital. But this facility has a 30-month time limit, and banks are left wondering about what will happen when it lapses.

Another constraint comes from a deliberately slow approval system for new branches, which now allow for a single round of applications each year. Expansion for the bigger, longer-established banks also comes up against rules relating branches to capital.

As inflation comes down and banking margins become narrower, foreign banks have sought new opportunities for fee income and have played an active role as partners in new ventures. In several cases these activities pre-date their approval as fully-fledged bank operations.

BNP, for instance, was already involved in investment and leasing ventures. Barclays also has a leasing interest. Lloyds is a shareholder in the financial services company CISF, and through that connection is helping to market Portugal's first unit trust, Invest. Credit Lyonnais, Barclays and Citibank are involved in further unit trusts either starting or in preparation.

These related ventures bring in a somewhat wider range of foreign banks—including Swiss, Japanese and Scandinavian. Morgan Guaranty and Deutsche Bank, although not established as banks in their own right in Portugal, have a foothold through an investment company—MDM—held jointly in one-third shares with the Melo family, one of the powerful business interests of pre-revolution days.

Discreet (" we are a bit shy "), it aims at providing quality service to a small number of customers, concentrating on long and medium-term lending, capital markets (it is a main operator in the treasury bill market) and the little-explored area of mergers and acquisitions.

MDM's Jaime d'Almeida says the venture was conceived in the late 1970s "as a result of a feeling something had to happen ... we didn't quite know what it would be ".

The lead among the newly-admitted banks has undisputedly been taken by Manufacturers Hanover, which got a head start. Its manager Mr Carlos Rodrigues, reckons that the gamble it took on being one of the first in—it had already bought its computer unit—paid off handsomely.

The bank was responsible for launching the syndicated Escudo credit business as agent for a loan to the state electricity company EDP last June, and for two so-called " cristal " credit facilities, working on an auction system enabling the borrower to trim rates.

The first was for Petrogal, the national oil company and the second again for EDP, a record Esc. 30bn involving 15 Portuguese and foreign institutions.

These mandates proved, however, to be a bit much for some of the large Portuguese banks, accustomed for so long to running their own show.

The relationship between an entrenched, nationalised and cumbersome banking establishment and the quick-footed newcomers is inevitably delicate. At the biggest commercial bank, Banco Portugues do Atlantico, chairman Joao dos Santos Oliveira acknowledges the foreign banks' contribution in making banking more sophisticated. He believes Portuguese banks are responding well, but is frankly worried about how rapid a change they can deal with in terms of competition.

David White

Foreign banks

Full branches	Established
Lloyds Bank International	1863
Credit Franco-Portugais (Credit Lyonnais)	1892
Manufacturers Hanover Trust	1984
Citibank	1985
Barclays Bank	1985
Banque Nationale de Paris	1985
Chase Manhattan Bank	1985
Generale Banque de Belgique	1986
Banco do Brasil	1975

New instruments

Warm welcome for wider horizons

"IT'S FUN to operate in Portugal right now," says a Lisbon investment banker. A commonplace sentiment, perhaps, but until the last two and a half years anybody who said that would have been considered in urgent need of a rest.

New institutions and new banking instruments have revolutionised the financial scene in Portugal since the first moves were made under the previous Socialist-led Government to loosen up and prepare for an open, EEC-style market. The magic potions labelled "deregulation" and "securitisation" have been uncorked.

Most of the country's range of fixed interest rates have been freed, fiscal incentives brought in for the setting-up of new markets, forward foreign exchange dealings introdced, and ideas tried out in France and Spain imported wholesale.

Financial services and management of savings have received a new impetus. Banks, limited in their lending capacity by rigid credit ceilings (a system destined eventually to be replaced by other methods of monetary control, but still in force), are discovering new horizons.

The principal innovations began with the introduction of treasury bills in late 1984, providing government funding at competitive rates and creating the first tradable instrument enabling companies to manage their cash surpluses.

Then followed a reawakening of the once-dormant stock markets which has made virtually new instruments out of bonds and shares. Since the overthrow of dictatorship in 1974 there had only been one share issue, by Marconi in 1983, and it was not a great success. Last year there were 30 new issues, for a total of Es 27.5bn.

In June, when Banco Portugues de Investimento (BPI), an investment company transformed into a bank, became the first bank to open its capital and go to the market, there was an avalanche of demand unseen since the revolution. Half the new issues took place in December.

According to Companhia de Investimentos e Servicos Financeiros (CISF), a main force in the new issue business, another 15 or so are in the pipeline. Tax breaks both for companies going public and for the shareholder are a big factor.

A booming market in non-government bonds went into a lull after the announcement of last year's budget, when interest became taxable. A number of issues were cancelled and the total issued by private and public-sector corporations went down from Es 48bn to Es 34bn.

However, with bonds of eight years' maturity and over enjoying favourable treatment, a revival is now on its way. With inflation expected at between 8 and 9 per cent this year, tax-free rates of 15 to 16 per cent provide exceptionally high real interest by the standards of other European bond markets.

In between equity and bonds are "participation securities" issued by three state banks and one state brewery—a French-model hybrid providing a combination of minimum guaranteed income and a share in profits.

Convertible bonds—which exist in theory but not in practice—may now appear on the scene in order to take advantage of fiscal benefits.

The opportunities for savers have now widened enormously. Before, they had deposits or state bonds; they now have an additional choice of private bonds, treasury bills, participation securities and mutual funds, which have been reborn after 12 years.

Two units trusts were operating before the revolution but were swept up in the nationalisations that followed since their portfolios were mainly in the companies affected by the takeovers. The first new one, set up by CISF with banking and insurance partners, has been going for nine months, a second has just been launched and two more are being prepared. Pension funds are due to start up soon.

Certificates of deposit, which have been authorised but not yet introduced, will complement treasury bills by providing a useful instrument for companies to place their liquidity and will help to create a wider secondary market.

Borrowers have a range of new openings, with the foreign banks' influence felt in the development of new instruments. Prominent among these have been the syndicated facilities dubbed "cristal"—an approximate Portuguese acronym for "auction-system credits," whereby a group of banks guarantees a maximum rate on a long-term loan and auctions are held on a six-monthly basis for banks to offer lower rates. The two big operations to date have helped to create a reference rate for six-month lending.

A part of both these operations for state-sector borrowers enabled banks to get past their credit ceilings, under a ruling which exempted lending of five years or more if it was destined for productive investment. The Government has since had second thoughts and changed the ruling, making this system less attractive to lenders. Bankers see new variations on the theme now emerging.

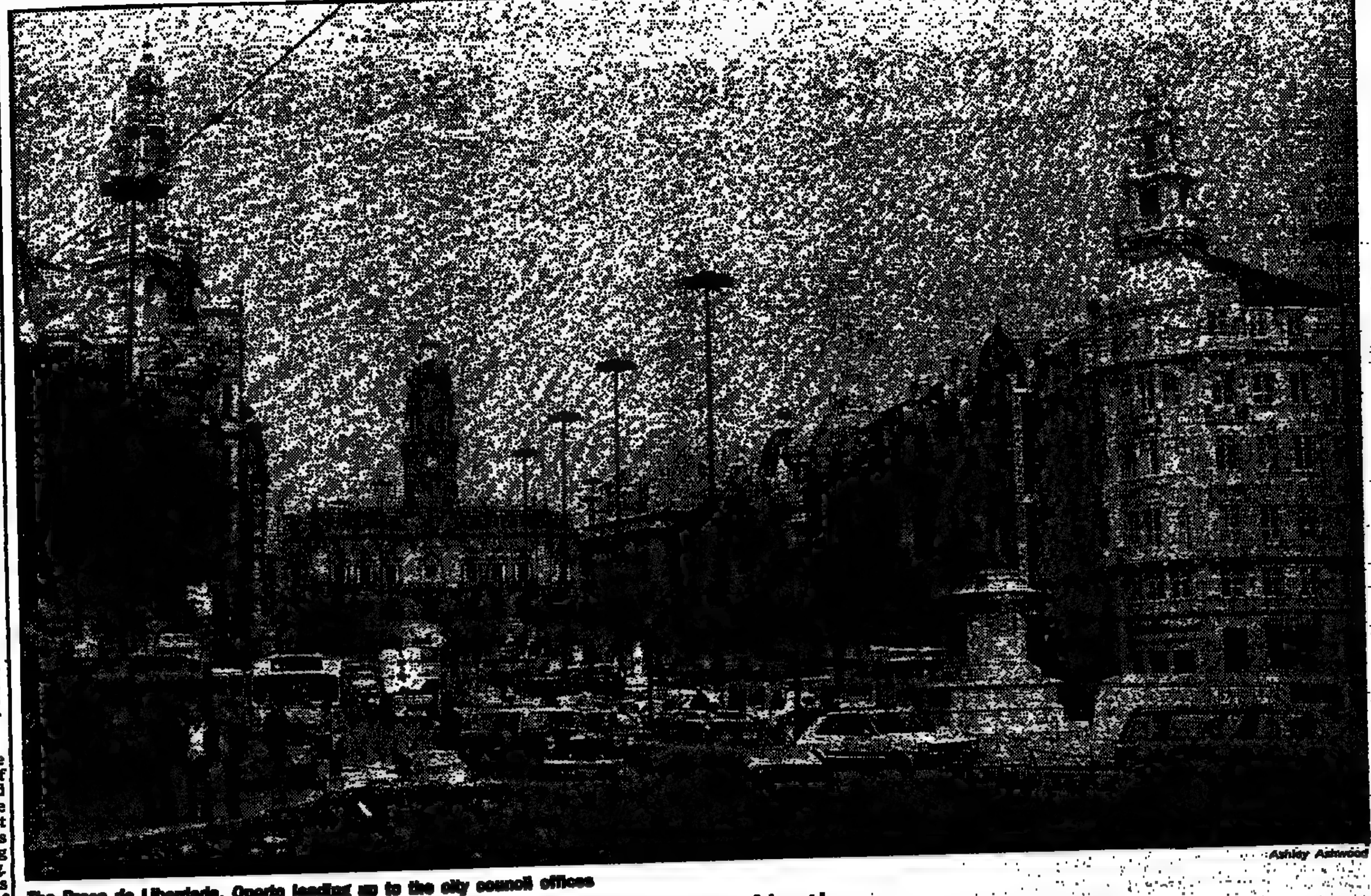
The introduction of commercial paper — as in Spain — is being contemplated but is so far considered premature. Bankers say that Portugal needs first to draw up a rating system in order to classify risks.

In response to Portuguese companies' general shortage of capital, leasing ventures backed by banks and insurers have expanded rapidly over the last four years, with six companies involved in equipment leasing and one in property leasing. Leasing, however, still accounts for a relatively small share of investment and there appears to be room for further strong expansion.

A less successful import has been the venture capital company. Two of these have been set up, with the Luso-American Foundation taking an active interest, but they have so far faced a shortage of suitable projects.

Established companies have reacted well to the wave of innovation, although many are still shy of the equity market. Large corporations that were in the past forced to borrow abroad had already come into contact with sophisticated banking instruments. At the same time, a new generation of financial managers, many of them of high calibre, appears to be succeeding in making traditionally-minded owners aware of the opportunities.

David White



Ashley Ashwood

The Praca da Liberdade, Oporto leading up to the city council offices

Role of the North

Thrifty city brings in the investors

"IT ALL depends on whether we have a big reprivatisation programme. Then Lisbon would definitely be the main financial centre. But if Lisbon continues to be identified with the state sector, Oporto will be more and more important."

That, at least, is the opinion of Mr Artur Santos Silva, president of Banco Portugues do Investimento, which was the first to start of the new private banks set up under the recent liberalisation of the sector. It has made its base in Oporto because, he says, for an investment bank that is where the main market lies.

The role of northern Portugal as the main base for small and medium-sized industry, for the country's textile-dominated exports and for many of its most dynamic ventures, has its counterpart in the new growth area of financial markets and services. Oporto has been at the centre of some of the new initiatives, has received its share of new institutions and has had its say in the rediscovery of the stock market.

Without being able to shake off its provincial air, Oporto has been determined not to let Lisbon make all the running. Businessmen from the conservative North tend to see themselves vis-a-vis the capital not only as the small-company private sector versus the big-company public sector — in some industries competing with them and undermining their market — but also as the defenders of economic realism versus frivolous politics.

One prominent northern industrialist typically describes Lisbon as the place "where everything is cooked up without regard for realities."

The thrifty city of Oporto, which was already a commercial centre when Lisbon was little more than a Moorish fortress, indulges in a feeling of separateness that is reinforced by bad communications. It is only 170 miles from the capital as the crow flies, but the express train takes three and a half hours, the telephone works badly, and there is no motorway. The deadline for building one has now been brought forward by two years to 1992, and some bankers believe that easier links will mean financial activity concentrating more in Lisbon.

But there will remain the problem of local pride. "If you try to do business in Oporto," says a Lisbon manager, "there is no way you can do it without having someone up there working on your behalf. It has to be someone who belongs to their environment."

While many would question the objective justification for two stock markets in Portugal — "there are not not enough shares for one market, let alone two," says one banker — nobody denies the psychological value of Oporto's having its own exchange.

The biggest of Portugal's state banking networks, Banco Portugues do Atlantico (BPA), has its headquarters in Oporto, although its chairman sepnds only two or three days a week there and the rest of the time is usually in Lisbon.

Along with the new BPI investment bank, Banco de Comercio e Industria, a related private-sector bank involved in shorter-term lending, is also officially based in Oporto, but in order to be on the spot with the big borrowers, food importers and the exchange markets it has its main office in the capital.

Among the foreign banks which have been allowed to set up full operations in Portugal since1984, Manufacturers Hanover recently opened an Oporto branch and has been followed by Barclays and Citibank. Two of Portugal's leasing companies, which are another relatively new arrival on the scene, are Oporto-based, including the market leader, Leasinvest, a venture backed by Banque Nationale de Paris and Skandinaviska along with Portuguese shareholders.

Aiming at a wide range of small clients, and relying on the fact that most companies are under-capitalised and unable to provide self-finance, it doubled it business in 1986 and expects to be able to double it again this year.

The northern interior is regarded as an important potential reserve for new initiative, particularly through innovation in traditional sectors such as textiles. BPA is behind a new business promotion project, singling out the "young entrepreneurs of high potential," otherwise known as "jeeps."

This is linked with Portugal's grist venture-capital company, Sociedade Portuguesa de Capital de Risco, also Oporto-based, in which BPA is a leading shareholder.

A former port-wine house in Oporto is being converted into a "nest for enterprise" with shared services for companies getting started.

Last year produced the first tentative signs of changing attitudes among family companies in the North, which have always been shy of seeking stock-market capital for fear of loosening their control over their business and bringing transparency to their private financial affairs.

Some foresee a growing trend among conservative owners to move onto the market, not only with bonds but also with shares, although this may is some cases be more a question of saving tax than a philosophical conversion. A handful of them, although still clinging to majority stakes, are already getting used to coping with outside shareholders.

Private ownership is not a dying creed, however. At RAR Holding, for instance, a sugar-refining group that has diversified into a range of activities from food distribution to travel, chairman Joao Macedo Silva still holds 96 per cent of the company and is not thinking for a moment of going public, which he says would enable a multinational competitor to take up a position.

Another pillar of the northern business scene, Mr Salvador Caetano, is more tempted. Founder of the coachwork and vehicle distribution group bearing his name, a typically labour-intensive company which thanks to its cost advantage exports 60 per cent of its coaches, he says he would take it to the stock market if he had his own way. However, he has yet to persuade his Japanese partner Toyota, which has 27 per cent in the company, its only industrial foothold in Europe.

Mr Caetano expresses a strong belief in the potential for new ventures in the north — "it depends on political confidence" — and in the younger generation of managers. At the executive level in his own company, he says he interfers "as little as possible." However, it seems likely that the business will stay in the family: Mr Caetano has two daughters, a son and a son-in-law all in the company.

David White

Oporto Stock Exchange

Bolsa maintains discreet presence

THE BUILDING itself is impressive enough. The Palacio da Bolsa, which you get to down neglected cobbled streets, is a weighty neo-classical construction dated 1834, facing onto a square from which a statue of Prince Henry the Navigator points an arm in the direction of the sea.

Inside, however, the first impression is that it is completely disused. A plaque listing the activities of the Oporto Commercial Association explains that a stock exchange (Bolsa) was opened here in February, 1893, by the King and Queen with assorted ministers. But where is the Bolsa? "down that corridor, the door before last on the right."

The Oporto Stock Exchange, with a total staff of "about 10," occupies three rented rooms. The trading room, the only one to have been recently redecorated and fitted with modern glass doors, is not much bigger than an average drawing-room, except that it is as high as it is wide.

Hung with velvet curtains and dominated by large portraits of pompous men in uniform, it has space for 20 chairs and small rows of functional desks. Everyone is seated, with two small huddles grouped together on a raised dias, one for bonds and one for shares. These have just started being traded simultaneously, an innovation forced on the exchange by growing business.

Three television screens display share prices and trading volumes as they are pencilled in by hand. For the bond market, the handwritten data are projected onto the wall. There are seven telephones. A coffee-lady walks sedately around picking up cups.

Since the exchange has only three market-makers, transactions are carried out in intimate, subdued and good-humoured tones. Just after 11, an hour and a half after opening, the bond section is already finished with its day's business. The share section will finish around midday.

Oporto's four-days-a-week market is a discreet presence on the world financial stage. But Mr Joao Veiga Anjos, a 42-year-old textile businessman appointed last November by the Government as part-time chairman of the exchange (only Lisbon merits a full-time chairman), is determined to develop its role.

Total trading volume quadrupled last year, from Es 2.24bn ($15.8m) to Es 9.1bn, and Mr Veiga Anjos is hoping for Es 25bn this year. Equity transactions in 1986 rose by 1,194 per cent to Es 1.2bn. But Oporto still has less than a quarter of the Portuguese market.

Closed after the 1974 revolution, the Oporto exchange reopened in 1980 with autonomy from the Lisbon market. But the list of stocks is basically the same in the two centres, and big banks and foreign investors tend to deal through Lisbon.

With computer terminals due to be installed by the end of the year, Oporto hopes to divert more investment. It stands to increase its activity as northern Portuguese companies come in greater numbers to the market for new capital.

"Normal" daily trading has recently risen from around Es 50m to over Es 100m and on occasion the volume has reached Es 400m. Plans are afoot for launching an official market index and for doing away with the business of physically carrying share certificates around town. A second market, with a lower capital threshold, is already being envisaged.

The market is still not what it was before 1974, since most of the big companies of that time were and remain natonalised. But the Bolsa autherities are worried about the return of some of the speculation that marked that era. Even though there is a 5 per cent limit on any one stock's movement in a single day, small handfuls of share purchases can lead to rapid price distortions, and some stocks are now widely considered to be overvalued.

The Bolsa used to take place in the colonnaded, glass-domed central hall. It is now going to move again, but without abandoning the building, which is, after all, named after it. The Palacio incarnates the spirit of Oporto. It is not only next door to the Gothic church of Sao Francisco; it is built right on to it. From the church you can look across the river to the famous names of port wine—Sandeman, Croft, Dow's, Kopke, Barros, Delaforce, Graham's. And just to your left as you enter is a wrought iron gate with the word "Bolsa," a disused entrance to the stock market. Oporto, a city that always stuck close to God and business, here managed to bring them together.

David White

EEC funds

Regions benefit strongly

WHETHER THEY live in the country or the city most West Europeans take roads and domestic electricity, street lighting, drains and clean water supplies for granted. Not so the Portuguese, until the European Community gave them access to funds to finance such essentials.

The first year of Community membership has proved two things: the Portuguese as a whole have understood that vital structural European funds, above all for regional development (Feder), job training and job creation (social fund) and investment in modernisation and expansion of agriculture (Feoga and the Pedap—special Community programme for support for Portuguese agriculture), are a tangible, relatively rapidly-available cure for underdevelopment.

The EEC Commission has learned that when they want and need to, the Portuguese at both government and individual level can work up good projects—not a traditional activity in a land where setting down accounts, specifications, costs and projected results on paper is not widely-practiced.

The most successful area so far has been the regional development fund where central or local government projects were raced to Brussels soon after accession and funds were rapidly approved—Ecus 352m (£260m) by the end of 1986 for 703 projects ranging from water supplies for small villages in the interior or metropolitan Oporto to port and road works in the south and centre, a new railway bridge over the river Douro, rural basic sanitation and hydroelectric schemes.

Many were small projects worth only a few hundred thousand Ecus but of incalculable importance to beneficiaries . . . tiny hamlets and small towns nestling in strikingly-beautiful settings in the mountainous or sunbaked hinterland or the archipelagos of the Azores and Madeira, seeking to bring their beautiful but under-equipped islands nearer to modern times.

Slower to flow were social or agricultural development funds, sometimes because projects were not quite up to scratch or information and help in preparation of documents offered to prospective business or farming candidates for EEC funds was not exhaustive.

Portugal ended 1986 with a net balance in its favour of about Ecus 200m community funds flowing into the national system through special credit institutions like the Caixa Geral de Depositos or Banco de Fomento Nacional or other public or private banking and financial service institutions.

The growing role of the European Investment Bank (EIB) in financing Portugal's development and modernisation was marked by the inauguration in late 1986 of the EIB Lisbon office and announcement of new long-term loans for railway lines and rolling stock, and works on the motorway that, in principle, by 1992 will link Lisbon and Oporto, replacing "death alley," the pitted, narrow, overcrowded old road relieved by a few stretches of motorway, over which goods and persons have had to travel since the car was invented.

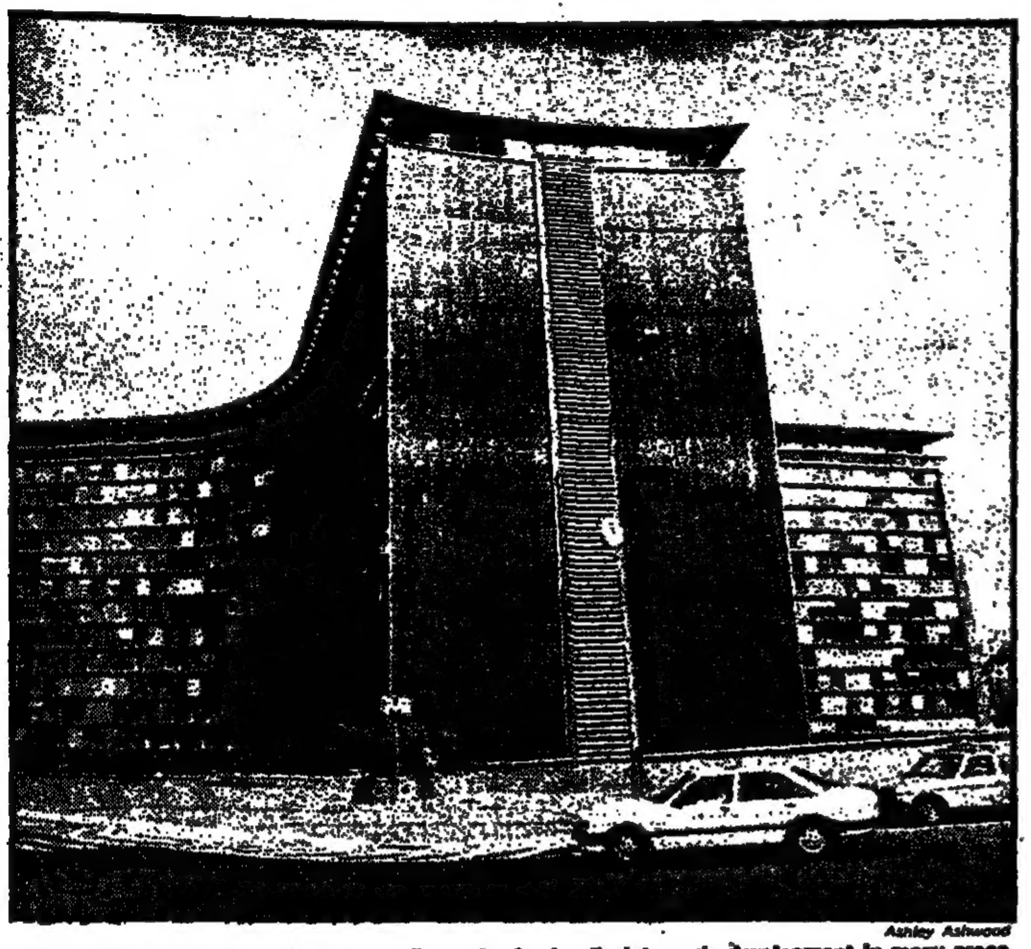
In 1986, the EIB granted Ecus 187.5m long-term loans to Portugal—including nearly Ecus77m for roadworks and Ecus 4.8m for telecommunications (another area with vast room for improvement) and Ecus 64.4m to be passed on to the private sector via the special credit institutions, or the Banco Portugues de Investimento.

Small projects seeking EIB funds take financing via the special credit institutions or banks carrying EIB lines: The EIB itself does not cover small bread and butter projects.

In fact, the EIB has channelled money to Portugal since the emergency decision was made by the EEC during the 1975 Portuguese revolution to pump urgent funds into a country that was being shoved against the will of most of its citizens into the straitjacket of Communist-style state capitalism, collectivised land and limited personal freedoms, having barely had time to catch its breath after the end of nearly 50 years of right wing dictatorship.

Some Ecus 180m were rushed to Portugal—150m in EIB loans, 30m in direct grants from the European Commission which, like the US Government hoped to use aid and loans to pave the way for the return of full democracy to Portugal.

The money went into power stations, irrigation schemes, port works, global loans to finance small industrial and tourism projects, forestation and roadworks.



Ashley Ashwood

The EEC Berlaymont headquarters in Brussels: funds alleviate underdevelopment in many areas

Benefits of EEC membership

(First year)

	Escudos (bn)	$ (m)
Transfers from the EEC		
Regional Development Fund (Feder)	27.1	189.7
Social Fund (FSE)	15.4	107.8
Agriculture (Fedgas)	4.7	32.9
Pre-accession aid	2.2	25.4
Transfers to EEC		
Financial contribution (87% repaid)	30.9	216.3
Customs duties and agricultural levies (10% repaid)	10.3	72.1
(Less reimbursements)	41.2	288.4
Balance in Portugal's favour	33.1	231.7

Regional Development Fund (Feder)

Funds approved for projects submitted to Brussels

	Escudos (Bn)	
Central administration	19.7	
Public sector enterprises	16.4	
Local Government	14.0	
Autonomous regions: Azores 4.37 Madeira 2.97	7.3	
Total approved	57.6	($403.2m)
Total disbursed 1986	27.1	

European Social Funds approved 1986

	Escudos
Training for young people	1.52 bn
Training for less-skilled young people	19.3 bn
Jobs for young people	1.07 bn
Training for long-employed people	335 m
Training for small/medium enterprise workers	2.82 bn
Adult jobs	329 m
Training jobs for educators	483 m
Cooperation programmes with other member-states	8 m
Company restructure	4.98 bn
New technology training	52.9 m
Training of local development groups	13.0 m
Training of women	12.2 m
Training for immigrants	33.9 m
Training for the handicapped	448.8 m
Experimental activities	382.4 m
Total approved 1986	31.6 bn
Disbursed 1986	25.4 bn

Agricultural Fund

Structures for Portugal's use of European Community agricultural funds were only finalised in September 1986. Funds for this sector, flowed later than regional or social funds.

	Escudos bn
Local investment with subsidised interest 1984/85	10.3
After accession 1986	22.2

To February, 1987 917 projects had been submitted to Brussels under regulation 797 (direct support to production) with a total value of approximately Esc 37 bn ($260m). This is about six times total farming investment 1984-85 and the largest bid for farming investment ever known in Portugal.

Source: Portuguese Ministry of Foreign Affairs

The EIB granted a further package of loans in 1976, worth Ecus 200m—financing new manufacturing units for major public sector enterprises (basic chemicals or cement), airport works in Madeira and port works in Aveiro. In 1981 an agreement was signed for formal pre-accession loans to the total of Ecu 150m, plus direct grants from the European Commission of Ecu 125m.

Pre-accession loans were extended twice, in 1983 and 1984, and this money financed industrial and tourism lines via the Caixa Geral de Depositos and Banco de Fomento Nacional, plus construction of a coal-fired power station at Sines, electricity supplies in the Azores, several new roads, and improvements to the Oporto and Faro airports.

It might be said that there is a touch of Brussels and the EEC commission or Luxembourg and the EIB in almost every infrastructure improvement in Portugal since accession.

Diana Smith

The Spanish connection

Barriers start to come down

SOME 350 Spanish bankers visited Lisbon not long ago for a conference on the Spanish money market.

Why were 350 robust, expensively-dressed Spaniards discussing their domestic market in the next door neighbour's back yard? Because Spain and Portugal were then new EEC partners and the Spaniards wanted to show the Portuguese their regard by dispatching a few hundred "high flyers" so that Portuguese bankers could appreciate more about how the other side operates.

A handful of Portuguese bankers who attended the conference looked slightly dazed and reluctant to plunge into the coffee break crowd of square shouldered Spaniards.

One could understand their reticence. They were outnumbered, not to say somewhat overwhelmed by the demonstration of Spanish bonhomie. It reminded them that the Spanish financial system is several times larger, richer and more powerful than their own.

But the Portuguese are beginning to recover from their awe over the exuberant Spanish presence and have begun to register a shy but determined presence across the border.

Hardly a cent of Portuguese money was invested in Spain before 1986. But in the first year of EEC partnership, Portuguese businesses put $2.5m into Spain.

Until 1986 Portuguese manufacturers had trouble penetrating Spain's tariff barriers. But last year when the tariffs came tumbling down and Lisbon industrialists realised Spain was only 200 miles away, exports to Spain grew by 57.7 per cent to $485m.

They are still growing. This January they hit a monthly record—$56m, or 177 per cent more than January, 1986.

The export boom to Spain played a leading role in the 16.6 per cent growth of Portugal's exports to the EEC as a whole in 1986.

Meanwhile, what are the Spaniards doing about Portugal? Certainly not resting on their paella. Spain spotted Portugal as a developing market in the 1980s. Well before EEC accession, she began building up service-related investments on this side of the border. By December 1986, Spanish investment in Portugal more than doubled to $50m, making Portugal the third largest host to Spanish investment, recipient of nearly 10 per cent of the $514m that Spain invested in 1986 abroad largely in the US and France.

Interest is now growing not only in marketing and distribution and tourism in Portugal but also in Spanish-Portuguese joint manufacturing or agrobusiness ventures in less developed border areas.

In trade, Spain is aggressive. Rapidly, she rose to Portugal's second largest supplier after West Germany with $1bn exports to Portugal in 1986, an export growth of 53 per cent.

Portugal is now the third largest beneficiary of Spanish investment and Portuguese exports to Spain are growing as tariffs start to tumble

Spain exported over $80m to Portugal in January still outnumbering Portuguese exports but seeing the Portuguese reduce the gap. Portuguese coverage in January was 63 per cent compared with an average 6 per cent throughout 1986.

If the Portuguese can sustain their momentum, the day may come sooner rather than later when the Portuguese authorities no longer feel so jumpy about granting licences to Spain's Banco Exterior and Banco Central which have waited for more than three years while US, British, French and Belgian banks have been allowed in.

The Spaniards strived to be delicate towards Portuguese hyper-sensitivity, rather like a two-tonne truck ostentationaly yielding the right of way to a mini—both arrive where they want to go in the long run, but at different speeds.

Diana Smith

Profile/Bank of Portugal

Red tape unravels at slow pace

A SNAP definition of the difference between the Spanish and Portuguese financial markets: in Spain everything is permitted until it is forbidden; in Portugal everything is forbidden until it is permitted.

An illustration of this is that there are nearly 40m Spaniards and just over 10m Portuguese but Spanish and foreign banks operating in Spain outnumber institutions in Portugal by about five to one. The Bank of Spain has 3,000 employees to keep abreast of the larger system. How many employees has the Bank of Portugal? 3,000.

What are they doing? They are not only keeping abreast with but keeping a tight rein on the system. The Portuguese central bank reflects the penchant for intervention of its ultimate boss—the powerful finance ministry whose incumbents like to legislate exhaustively on even minor matters and make sure their instructions are followed. Therefore thousands of central bank employees do what comes naturally in Portugal: they keep the red tape in shape.

The latest governor, Mr J. A. Tavares Moreira, 42, a market-minded man at heart, is now learning what it is like to preside over an institution conditioned by time and power to say "No" first, "Maybe" later and "Yes" after huge delays. Until he began trying to unravel the Bank of Portugal's bureaucratic fabric, the following engrossing opportunities were its specialty:

- Deciding which street a commercial bank could open a branch in. Whether said bank wanted that street was immaterial. Bank of Portugal staff met for months to deem whether street A, B or C had enough banks already and after countless meetings informed the candidate bank either that it could or could not open a branch on the street of its choice in the town of its choice.
- Deciding if foreigners could or could not invest on the Portuguese capital market. Applicants—used to buying shares fast elsewhere—might wait six months while someone in the Bank of Portugal studied his case. Such delays caused symptoms of deep bewilderment among capital market operators to whom speed is of the essence.
- Telling Portuguese banks whether they could or could not set up foreign exchange counters in various branches. This power is due to vanish this summer when a simplified system of branch opening and/or closing will be introduced as part of the liberalisation of the financial system.
- Managing the interbank money and foreign exchange markets.

Until three years ago, the interbank money market was a daily meeting of bankers around a table presided over by a Bank of Portugal official, and foreign exchange rates and transactions were rigidly-controlled by the central bank.

Now bankers raise funds among themselves, acquire treasury bills, first introduced in 1975 in Bank of Portugal auctions and operate spot and forward foreign exchange markets that came into force, respectively, in October 1986 and this January.

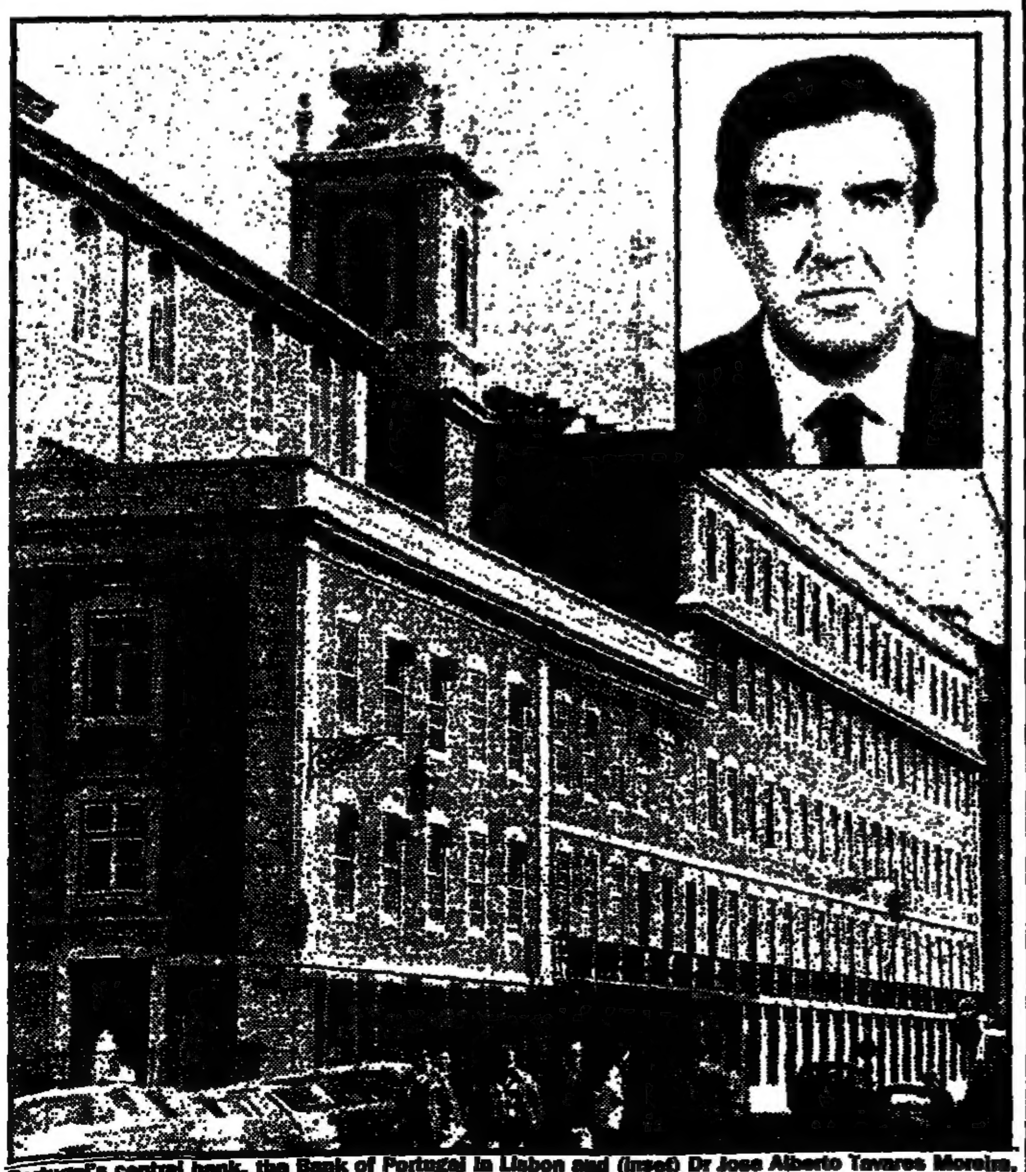
With fewer intervening powers than a year or so ago, the central bank could do with fewer employees, for it is automating as fast as it can. But this is Portugal where the state cannot lightly reduce staff.

Negotiated early retirements, the device used by much of the public sector to reduce expensive overmanning, made it possible last year to cut staff for the first time in a decade.

But the "ideal" Bank of Portugal as seen by market experts—independent of political powers, running monetary policy and not simply carrying out finance ministry instructions, and able to have more decisive relations with institutions without ministerial intervention—will take more than staff cuts to bring about. Legislation will have to change, giving the central bank officially-recognised independent status.

Until then the exuberance of the large, larky Spanish school 18th century canvas of near-nude nymphs, satyrs and cherubs that covers a whole wall of the Governor's anteroom, acquired by some previous incumbent seems singularly out of place in the austere not to say severe aura of the institution dedicated, despite recent improvements, to rigorous centralised supervision.

Diana Smith



Portugal's central bank, the Bank of Portugal in Lisbon and (inset) Dr Jose Alberto Tavares Moreira, governor of the bank.

Profile/Belmiro de Azevedo

Man with a sense of mission

"*TRUE LEADERS* are natural. They are not imposed on society. They establish themselves. They easily attract followers. They have a sense of mission."

The quotation is extracted, not from a public-school prospectus or an army recruitment campaign, but from a company brochure put out by Sonae, an industrial and supermarket group. A company that has already made its mark in the Portuguese financial world and which now plans to spread its name further afield, it has its own outlook on life.

One of the first new arrivals on Portugal's stock exchanges, its share flotation last June was the biggest seen up to then and helped to clinch the success of the equity markets.

The "elite group of leaders" philosophy, delivered for the benefit of the group's 3,000-plus employees, bears the personal stamp of its executive chairman, Mr Belmiro de Azevedo.

A 48-year-old former top handball player, he not only exudes fitness, but demands it. "The Sonae person must have . . . physical stamina- . . . must be known both inside the firm and in the outside world by the uprightness of his character . . . must have high personal standards with a strong devotion to his tasks, while always seeking equilibrium with other activities (sports, friends and community service) . . . must have a sound code of ethics and rigorous sense of moral obligation."

With the company's exhortations to "accept failure without resentment," a career at Sonae sounds like a tough course. But Mr Azevedo's own example corresponds to his idea of how leaders are made.

A chemical engineer, he joined Sonae in 1965 as a researcher, with only two years' previous experience in a textile concern. The company, mainly devoted to making formica-type laminates, belonged to the private Pinto de Magalhaes banking concern. It was, he says, "virtually bankrupt."

With the 1974 revolution, Mr Pinto de Magalhaes' shares were frozen. Later on, the state tried to take over, but the employees struck—"one of the rare examples of a reactionary strike backing the management," said Mr Azevedo—and four months lates the management team was back in place.

When the former owner was

Belmiro de Azevedo: exudes and demands fitness

allowed to return to Portugal and his shares were eventually unfrozen, in 1982, Mr Azevedo bought up shares for a "symbolic" price and increased his stake following Mr Pinto de Magalhaes' death. Sonae still makes chipboard and laminates, but the group now has the largest part of its turnover and staff in supermarkets and has extended its interests into property, tourism (including Oporto's new Sheraton Hotel), biotechnology, data processing and trading.

Although Mr Azevedo is a declared opponent of the "big firm" model, the group with its more than 30 companies starting to produce consolidated accounts last year. Combined turnover in 1986 was Es 33.1bn.

Mr Azevedo is pondering taking Sonae where no Portuguese company has gone, on to either the London or the Paris stock exchange. It has reached the state, he says, where it needs a "more stable market." He personally still holds just over half the shares, but considers that 30 per cent would still guarantee him effective control.

The parent company, which accounts for only a fifth of the group, earned a 30 per cent profit on its sales last year, Mr Azevedo says, virtually without incurring corporation tax. He prides himself on Sonae's "management of tax payments," taking advantage of every loophole and fiscal incentive. It can look forward to paying hardly any tax for the next two or three years, he says. That would be enough to make anyone feel fit.

David White

Insurance

Competition spurs professionalism

THE INSURANCE business in Portugal started preparing for the demands of EEC membership some years before accession. Unlike the banking sector, insurance has no protective seven-year transition period to ward off the effects of full, free right of establishment of European Community companies in Portugal.

In practical terms this means that while the Portuguese authorities can continue to weigh applications by American or other non-EEC companies for a Portuguese branch according to their judgment of whether the market can or cannot take more competitors for the eight nationalised companies that have dominated the scene since 1975, they can no longer use this criterion for British, Spanish, German or other EEC insurance comanies. These can now set up shop in Portugal whether the authorities or competitors like it or not.

A developing economy, rising middle class perceptions of the need for insurance, more business interest in creating pension funds for employees and tougher official attitudes over compulsory areas like third party motor vehicle insurance, have produced steady growth since 1980 in a sector where 50 companies now operate.

In 1985 premiums totalled Es 91bn (£455m) while investment totalled Es 114bn (£570m) compared with Es 48bn in 1981.

The eight nationalised companies—five of which, Imperio, Alianca, Tranquilidade, Fidelidade and Mundial Confianca are dominant—account for the overwhelming majority of business. But the market share of nationalised insurance companies has been slowly decreasing from 73.68 per cent in 1981 to 70.22 per cent in 1986.

In that same period, the market share of foreign insurance companies has risen from 10.2 per cent to 17.13 per cent, and since 1985, six new companies have joined the market—five foreign (American Life, Cigna, American Home, Eagle Star Life and Interatlantico) and one Portuguese (Lusitania).

The advent of a new Portuguese company backed by private capital reflects 1984 laws permitting new private capital once again to penetrate the insurance sector. Constitutional changes due in the next couple of years that eliminate taboos on denationalisations may change the complexion of the Portuguese insurance sector altogether by the end of this decade.

Legislation in 1984 introduced new provisions demanding that new insurance companies established in Portugal be either life or non-life companies. Only already-established companies were allowed to continue with their general purpose characteristics.

There has been a concerted effort to professionalise the insurance business, with intensive cooperation between the Portuguese Insurance Association, the Portuguese Insurance Institute and universities that now offer graduate banking and insurance courses.

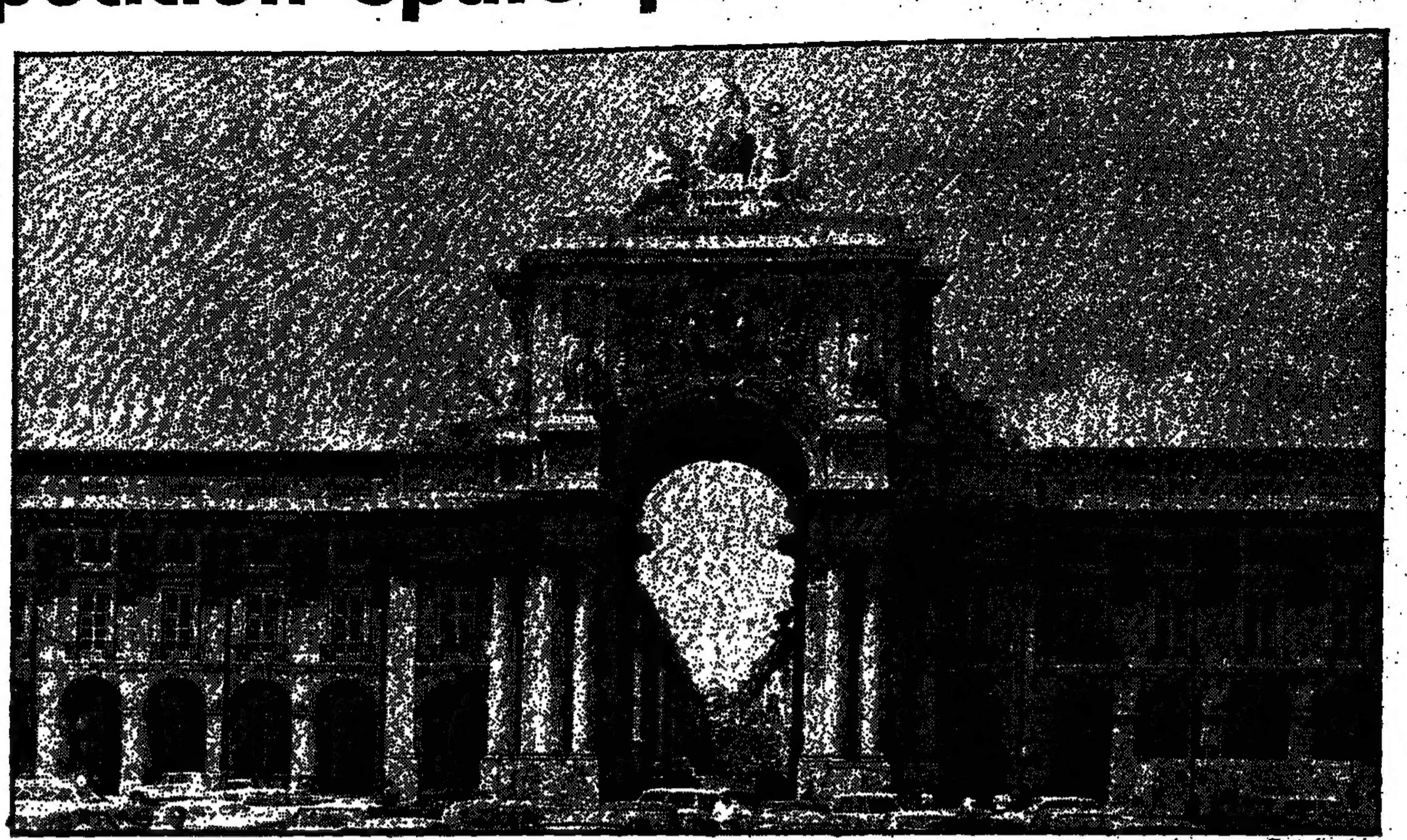
As companies try to recycle their staff, easing out less-adaptable employees through early retirement schemes, they are beginning to take on more management and university graduates—a new trend for Portugal.

Some 10 per cent of their investment portfolio must be in shares, so insurance companies are a dynamic force on the growing capital market. They are increasingly involved in diversified activities like leasing, venture capital in unit trust and property mutual fund companies.

This year sees the introduction of the European Community's "constat amiable"—agreed statement between parties in car accidents—that should simplify reporting procedures and speed up payment of compensation. In a country with a dismal vehicle accident record—202,000 reported road accidents in 1985, costing Es 21bn (£105m) for a population of 10m, the road to car accident compensation is slow and tortuous as companies struggle to keep pace with huge demand.

Traditionally, vehicle insurance has been a burden to Portuguese companies and is likely to remain one until compulsory inspection along EEC lines removes some of the most dangerous old bangers from the roads, and until driving standards improve radically.

Diana Smith



Trevor Humphries

The Arch of Triumph from Black Horse Square, looking towards the traditional centre of the banking, insurance and financial community

Major Insurance companies

(Market share 1986)

Company	Per cent	Company	Per cent
Imperio	14.52	Metropole	2.38
Mundial Confianca	13.01	Europeia	2.35
Fidelidade	12.28	Social	2.17
Tranquilidade	10.79	Sociedade Portuguesa de Seguros	2.12
Bonanca	9.85	Garantia	2.12
Alianca	8.53	Cosec	1.39
Portugal Previdente	2.90	Victoria	1.12
Trabalho	2.63		

Profile/Miguel Cadilhe

Academic in a hot seat

WHEN Anibal Cavaco Silva began his meteoric rise in 1985 to the leadership of Portugal's minority Social Democrat Government he was an academic economist. But he rapidly learned the tricks of down-to-earth political communication and today, to the envy of politicians with longer experience on the hustings, he is a populist, his standing matched only by that past master of crowd-pleasing, Mr Mario Soares, President of the Republic.

Mr Miguel Cadilhe, Mr Cavaco Silva's finance minister also came to government as an academic economist. He is a former university lecturer who spent years as head of the economic research department of the Banco Portugues do Atlantico, Portugal's largest and most-influential nationalised commercial bank.

Contrary to his Prime Minister, Mr Cadilhe has had trouble dropping a professorial style and the intricacies of macroeconomic newspeak in favour of simpler two-way communication. A teacher tone clings like a burr to his parliamentary debates, press conferences and conversations—and frequently breeds hostile reactions among his audience.

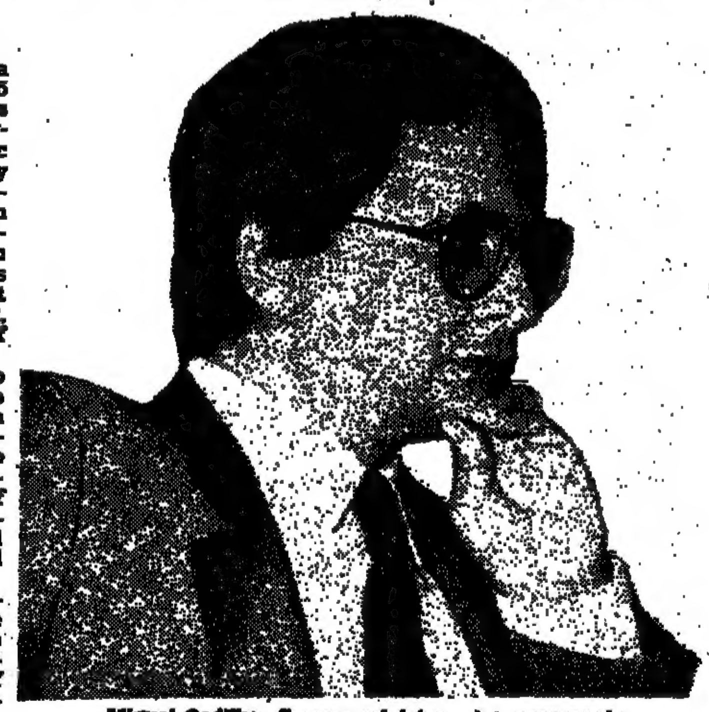
The communication difficulties of a shy man visibly eager to make an impression with his command of economics has caused some over-reaction to ministerial measures or statements.

Uncomfortably for the minister, a conscientiously hard worker, who has laboured since November 1985 to discipline endemic inflation, public overspending and misguided public investment, a didactic style is not the only obstacle to his being better understood by those affected by his ministry—a huge octopus designed in the 1930s by the late dictator Antonio de Oliveira Salazar for central control of government and economic activity.

Mr Cadlihe is caught in a syndrome affecting much of the Portuguese establishment after 50 years of isolation from standard economic and political practice.

Until 1974, Portugal was a colonial power. Tenaciously it pumped half its budget and thousands of able-bodied men into a war aimed at immunising its African colonies against the winds of change. Modernisation of a creaking economy, streamlining of administration, improvements in education and liberalisation of attitudes were shelved.

The war was waged behind a paternalistic propaganda smokescreen designed to convince increasingly sceptical citizens that the world was out of step with wise, far-seeing Portugal and that an omniscient administration knew what was best for the nation.



Miguel Cadilhe, finance minister, at a crossroads

The switch to democracy after the war ended in 1974 with a coup d'etat, did not swiftly cure the old habit of legislation from above without consultation. The difference after 1974 was that the bureaucratic reaction of "if they grumble-say it's-good-for-them" habit was no longer called "patriotism" it was called "keeping things from getting out of hand."

What has changed is the response to this lofty style: in Portugal's more open system people now argue back when a minister or secretary of state issues controversial measures. And officials must face their critics eyeball to eyeball.

Mr Cadilhe has often had flak—some of it savage—from the media and financial circles. He and other officials had to cope with fierce backlash from a 1986 decree law demanding that new banks—Portuguese and foreign—pay a 62 per cent capital increase by July 1987.

The measure was prompted by profits earned by newcomers who, with only one branch and a handful of staff, earned more than even huge and relatively-lucrative nationalised banks like Mr Cadilhe's alma mater the Banco Portugues do Atlantico.

The outcry hurt Portugal's image as a liberalising market where newcomers could expect equal treatment, not discriminatory legislation apparently designed to hold them back while local institutions slowly improved their structures.

Mr Cadilhe, taken aback by its intensity, bravely took the blast. Lessons were learned: he now tries to talk with and not at financiers. Opinions are sought beforehand on proposed legislation.

Mr Cadilhe and Portugal are at a crossroads. Straight ahead lies Europe and its aggressive competition, demanding flexible systems that respond faster to outside pressure. To the left lies a rusty, overpopulated state machine that the Government is committed on paper to reducing but must do so slowly against parliamentary resistance and distaste of its clientele for losing jobs for the boys too fast.

To the right, lies old paternalistic sponsorship of enterprise that made "enterprise" synonymous with government connections and still makes bodies who feel threatened by competition seek official aid in clipping competitors' wings.

Calls for wing-clipping come quite often nowadays: the finance ministry, number one wailing wall, has to fight any temptation to yield if Portugal's banking system and financial markets are to run forward on straight, not warped, rails.

Diana Smith

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